WEATHER DATA APPEAR ON PAGE 22

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**ESTABLISHED 1887** 

# 5 Major U.K. Dailies Respond to Walkout By Firing Printers

fired their printers Sanday, pre-senting Prime Minister Margaret be put aside to pay lines and court Thatcher with the possibility of a costs. major industrial crisis.

The sudden dismissals seemed likely to lead to an indefinite shut-down of the country's national

Hundreds of National Graphical Association members were fired as they reported for work after a twoday stoppage in protest against new laws curbing union power.

Five of the nine national news-papers — The Sun, The Times, the Daily Mirror, the Daily Express and the Daily Star — told the printers they had violated their con-

Printers at the other four newspapers — the Financial Times, The Daily Telegraph, the Daily Mail and The Guardian - were expected to walk out later in protest, industrial sources said

The dispute started several months ago over six printing jobs at a plant in Warrington, northern England, that prints free newspa-

It escalated last week into a national issue after the union had refused to pay a total of £150,000 (\$225,000) in fines imposed for illegal picketing at the plant.
The Conservative government's

tougher union laws forbid, among other things, secondary picketing, in which workers picket companies where they are not employed or companies that are not directly involved in an industrial dispute.

The printers stopped publication

LONDON — More than half of million. An appeal court judge up-Britain's national daily newspapers held the seizure order and ordered

There were signs Sunday that the country's labor leaders were trying to avoid being drawn by the minon into-a showdown with Mrs. Thatcher over the laws, much as

Trades Union-Congress, which groups Britain's major labor groups, to do something to save the National Graphical Association,

One member of the Trades Union Congress General Council. Terence Duffy, who heads the engineering union, warned the printers' mion: "We will not support you unless you get within the law."

But William Keys, chairman of the employment committee of the Trades Union Congress and general secretary of the other main print-

The Trades Union Congress will of all national newspapers Satur-bold meetings on the crisis Monday day and Sunday after a judge in-that could decide what stand it will voked the new laws to impound the take.

183 Killed in Crash of Colombian Jet Near Madrid minutes before it was to have land- kilometers) east of the airport and smoke when "I saw a man who MADRID - A Boeing 747 jeted. At that time, the plane was flying at an altitude of about 3,300 liner of Colombia's Avianca Air-lines crashed and exploded into feet (1,000 meters), and the weather

> A spokesman at the Barajas control tower said air traffic control-1:04 A.M., the plane crashed near pitalized in Madrid. Mejorada del Campo, 5 miles (8

12 miles east of central Madrid.

Rescue workers search for victims at the scene of the plane crash Sunday in a field outside Madrid.

She said the plane was full of

began to break a window of the broken we both left the plane and began to run."

King Juan Carlos I and Oueen Sofia sent condolences to Presibia and François Mitterrand of France. Queen Sofia visited the

plane about 15 minutes later, and do. All was so fast that it was im-

#### Afterward said Carmen Novo of plane with his feet and I helped Venezuela, a survivor who was hospitalized but reported in good condition, "it was like I was in another

world, because I continued walking lers had lost radio contact with the and walking; I didn't know what to four minutes before the crash. At possible to explain." She was hos-

ernment Monday on the talks.

The Defense Ministry's statemissile systems were expected to be per Trybuna Ludu.

# For U.S. Missiles Are Now in Sicily

Defense said Sunday that parts for ahead with the missile deployment. new U.S. cruise nuclear missiles. The Soviet leader said that Moscow had arrived in Comiso. Sicily, a day could only conclude that Italy did after the government published a sharp exchange of messages between Prime Minister Bettino Craxi and the Soviet president.

In Prague, meanwhile, the official news agency CTK said Satur-day that Foreign Minister Bohus-lay Chnoupek of Czechosiovakia has announced an agreement to deploy Soviet nuclear missiles on Czechoslovak territory.

Yuri V. Andropov.

A statement by the Italian ministry said: "The arrival of components for the missile arms systems due to be transported and subsequently assembled at Comiso has

egun at the base of Sigonella. The brief Italian communique did not say how many missiles were involved nor when they first arrived at a U.S. Naval Air Station at

Sigonella, near Catania, in eastern Comiso is to get 112 cruise missiles. Italy's portion of the 572 U.S. nuclear missiles to be deployed in five member nations of the North

Atlantic Treaty Organization over the next several years. Last Wednesday, the Soviet Union walked out of talks at Geneva on limiting medium-range missiles. In a statement Thursday, Mr. Andropov said that the Soviet Union would take no further part in talks and would move to station

and near the United States. Paul H. Nitze, the U.S. negotiator at the Geneva negotiations, is scheduled to brief the Italian gov-

ROME - Italy's Ministry of a parliamentary vote Nov. 16, to go not core to keep good relations.

Mr. Craxi assured Mr. Andropov that Italy wanted such relations with the Soviet Union. But he added, "good relations should not be confused with acquie-cence in the face of any form of intimidation."

"Peace cannot be confused with a pacific state of subjugation." Mr. Craxi wrote, noting that the Soviet Union had aggravated an existing nuclear imbalance in Europe by continuing to install new SS-20 missiles in the four years since

In Prague, Mr. Chnoupek told a Communist Party meeting that Czechoslovakia had agreed to deploy Soviet nuclear missiles on its

No one doubts today that we are determined to do all that is necessary to strengthen our own defense capability." the agency quoted Mr. Chnoupek as saying.

talks and placing more missiles in Eastern Europe, Mr. Andropov said Thursday that Moscow would abrogate its freeze on the deployment of SS-20 missiles in the European region of the Soviet Union and would deploy weapons in "ocean areas and seas" that would directly threaten the United States.

would be targeted on his country.

"We can suppose that 20 to 25

#### (Reuters, AP, UPI) ☑ Albania Accuses Bulgaria

#### ing union, SOGAT 82, said: "Law that carries the seed of injustice and intolerance should be op-If the National Graphical Asso-ciation continues its illegal picketing in Warrington, it could be bankrupted under the laws, which flames Sunday, minutes before it was to have landed at Madrid's allow repeated fines for contempt Barajas Airport, killing 183 people. National newspaper owners are It was one of the worst airline accialso suing the union for damages that could add up to £4 million. dents in Spain's history. Airport officials said 11 people under another provision of the new survived. Four of them suffered seni**ous injurie**s. Avianca officials said the jet,

# U.S. Officials Skeptical Of Moves by Nicaragua

By Don Oberdorfer

WASHINGTON - The Reagan administration has reacted skeptically to reports that Nicaragua may be altering both its foreign and domestic policies to meet long-stand-

Comments from the State Department spokesman, Alan D. Romberg, and from other officials, groups. who spoke on the condition that they not be identified; suggested that the administration is uncon-vinced that the Sandinist government in Managua is moving seriously to alleviate points of conflict. with Washington.

A White House official with President Ronald Reagan in California set the tone for the U.S. reaction by expressing puzzlement about reports from Nicaragua. We can't interpret the current actions down there," the official said.

Here are the reports from Nicaragua in the past several days and the responses of U.S. officials Fri-

• More than 1,000 Cubans, mostly schoolteachers, reportedly have left Nicaragua since the beginning of Nevember.

One report said this was intended to lower the Cuban profile in Nicaragua, but Mr. Romberg said the departure of "about 1,000 Cuban teachers" appeared to be temporary and part of an annual endof year break in Cuba.

Romberg said.

He commented before the Nicaraguan interior minister. Tomás

ing that Nicaragua is willing to send home its Cuban military ad-

troops from Central America. Mr. Borge is expected in Washington this week to explain Nicara-

cannot confirm that the Salvadoran guerrilla presence there has been

"Nicaragua's assistance to guerrilla groups in the region and its close ties to Cuba and the U.S.S.R.," he said, "remain issues. of great concern to Nicaragua's neighbors and to the United

On Dec. 4, the Nicaraguan junta will announce the date for long-promised elections, according to reports from Managua, which said that balloting was likely to be for a constituent assembly that would draft a new constitution.

A State Department official said the U.S. reaction would hinge on the nature of the elections, especially the extent of participation permitted the Nicaraguan people.

• Censorship of La Prensa, the

most independent newspaper still publishing in Managua is reported to have been reduced in recent We have no information to suggest that the Cuban military or civilian presence in Nicaragna has been reduced permanently." Mr.

Panel Representing Lebanese City Madrid and Caracas, was carrying 170 passengers. a crew of 20 and four off-duty airline employees. Airline officials said the flight would have originated in Frankfurt, but the plane needed for that route was being overhauled in Am-

and West German citizens who had boarded the plane in Paris. Among the dead were Manuel tine writer and arts critic.

Many of the victims were French

which was on its way from Paris to Bogota, with scheduled stops in

Soon after the plane crashed, many of the residents of Mejorada gua's recent moves to members of del Campo, which has a population Fattal, one of the city's leading day in a row as the aircraft new Congress, the media and private of about 12,000, arrived at the businessmen, said the committee reconnaissance missions of Reign scene, Maria Carmen Jiménez, a • Reports from Central America councilwoman in the village, said said that Salvadoran rebel leaders their rescue efforts were delayed have been asked to leave Nicara- until firemen extinguished the gua. But Mr. Romberg said, "We blaze. The plane broke in two upon

sterdam.

impact Rescue parties worked through the day to move the victims' bodies from the wreckage to an airport

hangar for identification. The cause of the crash could not immediately be determined, Transportation Minister Enrique Baron said. There were reports that one of the plane's four engines was on fire as the aircraft approached the airport, but Mr. Baron said that Boeing 747s can land with only two

working engines. Searchers found the flight data recorder, which normally contains information about an aircraft's flight course and a recording of conversations in the cockpit. Officials said the recorder would be

Réscue parties found two pistols in the wreckage, airport officials said. They added that the pistols might have belonged to some crew members or passengers who may have handed them in when boarding the plane.

Officials said air traffic controllers had spoken with the captain of the plane, Tulio Hernández, and the co-pilot, Edgard Ramirez, 25 fire that was a part of the agreeto print certain items.
"In our view." Mr. Romberg
(Continued on Page 2, Col. 2)

To Visit Syria to Discuss PLO Pullout By Joseph B. Treaster

New York Times Service TRIPOLI, Lebanon - The Higher Coordinating Committee of Tripoli is planning to go to Damas-cus on Monday morning to work

send home its Cuban military ad- Scorza, a Peruvian writer Angel cus on Monday morning to write visers if the United States with Hama a Hruguayan writer, and his sout the details of an agreement for draws its military advisers and wife, and Marta Traba, an Argen—the departure of rival Palestinian factions from the area, a member of the committee said Sunday. The committee member, Wassaf

> by Rashid Karami. Mr. Karami is a former Leba-

On Friday, the foreign ministers of Syria and Saudi Arabia an-nounced that the followers of Yasser Arafat, the chairman of the said that President Hafez al-Assad Palestine Liberation Organization, and rebels who have been trying to force a reorganization of the PLO had agreed to end their fighting and withdraw from northern Leba-

non within two weeks. The foreign ministers said the details of the disengagement and withdrawal would be worked out by Mr. Karami and the Higher Coordinating Committee.

Aides to Mr. Arafat said Sunday they understood that the two-week period was to begin on the day that Mr. Karami announced the specifics of the disengagement and with-

The committee, which represents a cross section of interests in Tripoli, lacks any armed unit, but Syria and Saudi Arabia said they were prepared to give the committee assistance in supervising the with-

ment announced by the foreign for a meeting with President Ron-ministers appeared to be generally ald Reagan on Thursday.

However, sniper fire continued in the northern neighborhoods of the city adjacent to the Badawi refuges; camp, which has been one of the major points of battle.

In Damascus, the Syrian military command said it had "confronted" U.S. F-14 fighter jets for the second had been summoned to Damascus mountains northeast of Beirut.

The Syrians did not make clear what they meant by "confronted," nese prime minister who began try-ing to find a peaceful solution to Washington said that U.S. aircraft the Palestinian conflict shortly af- conducting reconnaissance of Syriter the factions began fighting near an positions in Lebanon had re-Tripoli more than three weeks ago. ported no anti-aircraft fire or interceptor planes in the last two days. In another development in Da-

met with members of the ruling Ba'ath Arab Socialist Party on Sun-It was the first meeting the president is reported to have had with

any government oficials other than Foreign Minister Abdel-Halim Khaddam since Syria announced that Mr. Assad had undergone an appendectomy last week. The news agency report seemed intended to quell rumors in the

Arab world that Mr. Assad, 53, was seriously ill. [Syrians in Damascus and other cities danced in the street Sunday night after Syrian TV showed a healthy, smiling President Assad back at work, United Press Inter-

national reported.]
Meanwhile, President Amin Gemayel of Lebanon flew from Beirut to Rome Sunday afternoon for a visit with Prime Minister Bettino Craxi of Italy and Pope John Paul

Mr. Gemayel is scheduled to discuss with Mr. Reagan the possibility of amending or renegotiating the May 17 agreement that provides for the withdrawal of Israeli troops Syria has demanded that the agreement be canceled, saying it gives Israel political, economic and security concessions in Lebanon.

operational by March. The announcement came less than 24 hours after Mr. Craxi's office published details of his response to a shurp message from Mr. Andropey warning Italy against deploying the U.S. missile: In his message to Mr. Craxi, Mr. Soviet nuclear rearmament. Reu-Andropov expressed regret that the tors reported from Vienna.

NATO denounced the imbalance. termory, CTK said.

In addition to breaking off the

General Włodzimierz Kwaczeniuk, chief of Poland's rocket and more missiles in Eastern Europe artillery forces, said in remarks of the new NATO missiles scheduled to be deployed in Europe

ment Sunday, repeating what the percent of Euromissiles will be Italian government had already used on the territory of Poland." he told Parliament, said that the first told the Communist Parry newspa-

Albania accused Bulgaria on Sunday of hypothisy in supporting the idea of a nuclear-free zone the Balkans while also approving of



In West Germany, a man was helped after he fell into the barbed wire fence at the Il before going on to Washington Mutlangen airfield, which demonstrators blockaded to protest U.S. Pershing-2 missiles.



AT THE ELBE - U.S. and Soviet pallbearers wheel Army troops near Torgan in 1945, later camp the coffin of Joseph Polowsky to a cemetery in Torgan, closer U.S. Soviet ties. At right are the Rev. William East Germany. Mr. Polowsky, whose U.S. unit met Red Sloane Coffin Jr. and Mr. Polowsky's son, Ted. Page 6.

## Conqueror of Polio Is Now Paralyzed Albert Sabin Describes Pain That Made Him Want to Die

By Philip M. Boffey

New York Times Service WASHINGTON - Albert B. Sabin, the developer of a vaccine that helped to conquer polio, is paralyzed from the waist down after 10 days of such excruciating pain that he says he wanted to die and began to curse the mores of the medical profession.

The 77-year-old scientist appeared alert, articulate and reflective, although a bit hourse, in an hourlong bedside interview as he recounted a six-month saga of progressive weakness, pain, paralysis and partial recovery.

This world-famous medical scientist, with access to the very best in hospitals and physicians, sounded much like any ordinary patient. with engrmous respect for the skills of those who cared for him but with troubling doubts, too, about their judgment in refusing to relieve his agony and their alertness in watch-

ing all his symptoms.

Still, he acknowledges, things may turn out well. Now receiving rehabilitation therapy at the Clini-

cal Center of the National Insti- Johns Hopkins University Hospital tutes of Health in Bethesda, Mary- in Baltimore on June 18 to undergo land. Dr. Sabin has already more elaborate diagnostic tests. regained use of his arms and upper There he was found to have a disbody. "Maybe I'll walk again." he ease that has been known in Japan

He said his troubles began in May, when he developed wobbly arthritis pressing on his spinal

But his condition got worse. So in-mid-June, in "very great pain" but still able to hobble with a cane. he flew back to Washington and went straight from the airport to Georgetown University Hospital, where doctors proposed an immediate operation.

Dr. Sabin was transferred to

says. "I expect to. I'm regaining for 20 years but is extremely rare among Caucasians.

It involves the ossification, or transforming into bone, of a ligalegs and an unsteady gait that ment at the posterior part of the caused him to fall down the steps at canal in which the spinal cord re-Georgetown University in Wash- sides. The result is that the bony ington, where he was a visiting structure compresses the cervical professor. Doctors thought he canal to a very narrow slit and probably had a very severe cervical squeezes the spinal cord as well. Dr. Sabin spent the next month

cord. But since surgery was deemed or so in a metal brace to keep his risky, he says, he donned a collar to neck immobilized while doctors support his neck and set off for watched to see how his disease Brazil to check on clinical trials for would progress. Finally, the surhis new aerosol vaccine for measles, geons operated to see if relieving the compression of the spinal cord would relieve Dr. Sabin's symptoms. Dr. Sabin was soon out of bed and walking, some of his symptoms disappeared, and on Aug. 15 he went home to his apartment in

> But then he came down with (Continued on Page 2, Col. 1)

# **INSIDE**

E Commonwealth leaders called on Washington and Moscow to resume "a genuine political dialogue. Spacelab, the European

Monday aboard the U.S. shuttle Columbia. A revised code of canon law went into effect Sunday for the Western rite of the Roman

space research vessel, takes off

Catholic Church. BUSINESS/FINANCE

E President Marcos wants creditor nations to reschedule much of the debt owed by the Philippines.

☑ IBM filed a \$7.5-billion lawsuit against National Semiconductor Corp.

A SPECIAL REPORT

The real gravity of the world debt crisis may only be surfacing now. Euromarkets, Page 7. TOMORROW

E West Europeans have lost confidence in cooperation with the United States as a key to security, the latest IHT international poll finds.

By Alan Cowell New York Times Sernce MAGOPA, South Africa - Elizabeth Katitswe runs the Swartkop General Dealers Store here.

In it, the shopper will find soap. enamel baths, sardines, corned tractors and a truck.



Prime Ministers Lee Kuan Yew of Singapore and Margaret Thatcher of Britain take a drink as Australia's Bob Hawke looks on. They were in Goa, India, for a two-day retreat from the Commonwealth conference in New Delhi.

# Commonwealth Leaders Seek U.S.-Soviet Dialogue

relations published Sunday devot-

ed particular attention to "the vul-

ritorial integrity of small states. It continued, "It is our percep-tion that relationships between the

world's major military alliances are

in danger of becoming more con-

continue a peace-seeking mission

that has taken him to several capi-

tals and that is to take him eventu-

Delhi on Tuesday. The Common-

New Delhi after a two-day retreat

"We support his efforts to re-

ally to Washington and Moscow.

frontational."

as mediators

pain. And they did not."

for relief from pain.

died nine days after re-entering the

U.S. Skeptical

On Nicaragua

(Continued from Page 1)

said, "it would not be correct to say

the current relaxation of restric-

tions represents any significant change in the Sandinistas overall

attitude toward freedom of the

• Leaders of the Roman Catho-

lic Church and anti-Sandinist polit-

ical parties are reported to have

been approached by Sandinist offi-

In Washington, however, Mr. Romberg said that "we have seen

no real evidence that the Sandinis-

tas have changed their basic philos-

ophy toward human rights and the

position groups."

cials with offers of concessions.

**Albert Sabin Says Pain** 

**Made Him Want to Die** 

By William K. Stevens New York Times Service

GOA, India - The leaders of the Commonwealth nations, expressing alarm at the rising level of viclence and confrontation in the world, called Sunday on the United States and the Soviet Union to resume "a genuine political dia-logue" leading to a relaxation of East-West tensions. The Commonwealth statement

said it was "imperative that the Soviet Union and the United States should summon up the political vi-sion of a world in which their na-

The word "political" was considered important, in that some of the leaders expressed doubt last week that U.S.-Soviet arms control talks could proceed successfully unless top political leaders took a more direct role. Such was said to be the said. case in Geneva, where Soviet nego-tiators last week walked out of talks on intermediate-range missiles.

In this regard, Prime Minister Pierre Elliott Trudeau of Canada was to be in Beijing on Monday to

The declaration, the first formal communication to come from the weeklong summit, asserted that the 48 Commonwealth governments "can make a practical contribution" in helping promote a high-level U.S.-Soviet political understanding. Meanwhile, Sir Shridath S. Ram-

phal, the Commonwealth secretary-general, confirmed that agreement had been reached on the Grenada situation. The agreement was reported to contain a call for a withdrawal of all foreign troops from Grenada and an offer to replace them with a peacekeeping force from the 12 Commonwealth countries in the Caribbean.

Sir Shridath said final details of the Grenada agreement would be ers are the United States, the Soviet presented Tuesday, the last day of Union, France, China and Britain.

(Continued from Page 1)

"absolutely excruciating" pain in the legs, along the sciatic nerves, and had to return to Johns Hop-

kins. Then, "just like a bolt," he says, "I had complete paralysis from the waist down." His lower

body "just felt like wood" and the

paralysis began creeping up, affect-

ing his chest and causing loss of control in his arms. And "the most

severe pain" he had ever experi-

enced kept him in agony and "made me want to die."

"I was, of course, being observed," he says. "But if I ever cursed out doctors. I did then. Be-

cause I thought the first problem of

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HYATT (3) HOTELS

Next to the shop is her newly

ers, loaves of bread, shoes, dresses and many other items.

Tuesday it may not exist at all. The reason is that this village, built three-bedroom house, which is what is called a "black spot" incorporates a garage containing a land bought by black people deslightly tired-looking Alfa Romeo cades ago before legislation was insecticide spray, bicycle bells, sedan. In the yard there are two enacted preventing them from doing so.

beef, automobile oil, feather dust- In all, it is the accumulation of 30

Surrounding the several thousand acres belonging to the village is white-owned land. By the inexorable logic of apartheid, Magopa is an anomaly and an affront, so the people have to be moved into one of the nominally independent "homelands" created by the authorities in Pretoria for the use of the black majority. The deadline for the move is Tuesday morning.

The story of Magopa, however, has subtleties beyond the heavyhandedness of authorities who have threatened to transport the 300 families still living here by truck 125 miles (202 kilometers) away from their ancestral lands to a waterless new settlement of tin

It illustrates not only the authorities' skill in the time-honored tactics of divide and rule, but also the readiness of some black people to be co-opted into the process of

Magopa is a settlement of 70 years' standing near the rural town of Ventersdorp. The people who live here, from the Bakwena tribe, have built over the years schools, churches, water pumps and homes in cut stone, a permanence rare in Africa. The men of the town, who went to the cities to find work, also contributed money to the welfare of the village, so as to secure their

In 1978, however, a new headman, Jacob More, was appointed by the government. By 1981, villag-ers who accused him of corruption had deposed him, but their action was not officially recognized.

"He consumed all the monies of

the tribe," said Lazarus Katitswe, a tribal spokesman. Mr. More, a former policeman, however, was amethe summit, as part of a final com-muniqué. Grenada is a Commonnable to a government proposal that the tribe be moved to the homeland called Bophuthatswana, and he is accused by his fellow The declaration on U.S.-Soviet tribesmen of collaborating with the authorities.

Mr. More led 180 families from nerability of small states to exterthe village last June. Following nal attack and interference in their their departure, bulldozers flataffairs," a subject made more imtened their former homes, as well as mediate by the Grenada invasion. churches, clinics and schools. Mr. The declaration said that the More's faction reportedly removed summit had agreed on an urgent the water pumps. study of ways to guarantee the ter-

A walk around parts of the vil-lage these days is like a stroll through an archaeological site. One sees ruins that must have been the Methodist church, a straight dirt road running through the rubble of garden walls, and debris that might once have been a school.

It is essential "to increase con-tacts at a variety of levels between The other 300 families in the the governments and peoples of East and West," the declaration village did not want to go to Bophuthatswana, for they have a settled and prosperous life here in In this regard, Prime Minister

magistrate arrived and read a presidential decree ordering them off the land under the terms of legislation on the administration of black people that was enacted in 1927. Mr. Trudeau is to return to New They were given 10 days to move, but, despite the arrival of official wealth confererees left Sunday for trucks to take them away, and despite efforts to make their lives dif-

in Goa, a resort on India's western ficult, none has done so. The villagers "said they are bet-ter to die here," said Mr. Katitswe, Sunday's declaration said the Commonwealth welcomed Mr. a schoolteacher. "We are not pre-Trudeau's call for "a new political

pared to go." dimension" involving other nations The remaining villagers sought Friday to gain a court order preventing their removal, but their store active political contact and request was turned down. Despite communication among all the nu-clear-weapon powers," the declaraofficial government statements asserting that black people would be tion said. The known nuclear powrelocated only on a voluntary basis, the local magistrate, J. De Villiers, reportedly told the villages that they would be removed by force if

necessary.
One of the few weapons available to the villagers is to publicize their plight in an effort to embarrass the authorities into restraint. Thus, a white-run women's organization called Black Sash, which attempts to advise blacks on their limited rights, has taken up their

Dr. Sabin acknowledges that his At her store, among the bicycle doctors "were afraid, rightly," that any medication might interfere tires, mayonnaise, blankets, ornamental rings, bowls and other with his respiration, but he added that "you need a balance" that will goods, Mrs. Katitswe ruminated on her future. "We have no option," find a middle ground between such she said, in a resigned voice. More determinedly, she added: "They fears and the overwhelming need will have to pay me if they want us to go. I'll build a new shop." Dr. Sabin said that he almost

#### hospital when his breathing an alert assistant who had been hired by his wife to help watch him every second "She was sheen by his wife to help watch him every second "She was sheen him as She was sheen him as She was sheen him as She was sheen him as Sh every second. "She was the least trained, the least educated, nor trained, the least educated, not even a nurse," he said, "but if she Hit West Europe hadn't been there .... Her yelling and raising hell immediately got

PARIS — Seven persons were killed Sunday in Belgium in storm-related accidents as high winds buf-

feted much of Western Europe. In northern France, gusts of up to 96 mph (155 kilometers per hour) were measured, and winds of more than 112 mph were reported in parts of West Germany.

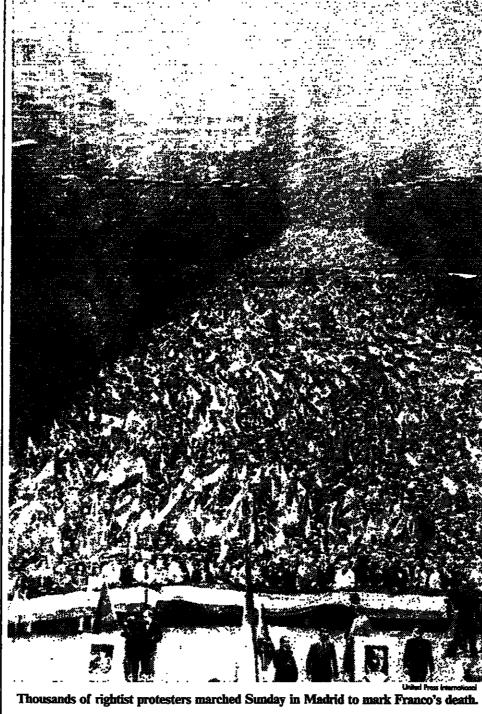
The seven deaths occurred early Sunday near the Belgian coast when two cars were crushed by falling trees, police said.

The storm disrupted rail traffic on three Belgian rail lines, and port authorities in Antwerp said a towboat sank there.

In France, the damage was heaviest in Brittany, where flooding blocked some roads.

About three inches (75 millimeters) of rain fell in the central French town of Château Chinon in a 24-hour period.

In western Switzerland, several expression of views by internal opwere blocked by fallen trees.



#### Spanish Right Rallies in Madrid to Mark Franco's Death

MADRID - Tens of thousands of Spaniards marched through Madrid on Sunday to mark the eighth anniversary of the death of Franco on Nov. 20, 1975. It was the largest rightist rally since the Socialists took power a year ago.

After a silent march along Madrid's Paseo de la Castellana, the demonstrators gathered in front of a statue of Franco to sing fascist hymns while giving the stiff-arm salute used by the dictator during his 40-year rule.

The rally also was called to mark the anniversary of the execution of José Antonio Primo de Rivera. the founder of the Spanish fascist party. Falange Española, by Republican forces in Alicante on

Elderly women with Spanish flags pinned on their coats and decorated veterans of the Franco forces in the 1936-39 civil war marched alongside teen-age girls wearing clothes in the national colors and youths in the Falange party's blue shirts and combat boots.

A few people chanted slogans calling for an army takeover and the release of military plotters jailed for the assault on the Cortes (parliament) in

the abortive coup attempt in February 1981.

There were no violent incidents. Security was discreet, with no riot police in sight of the march-

# \$40 Million in Gold Bullion Is Stolen ever, the local ad read a presi-

By R.W. Apple Jr. New York Times Service

LONDON - Six masked gunmen stole almost \$40 million in pure gold from a security depot near Heathrow Airport before dawn Saturday. It was the largest single theft in British history.

The robbers also took two boxes of diamonds that were stored in the warehouse, but there was no immediate indication of their value.

ski masks, the robbers burst into an unmarked warehouse belonging to Brinks-Mat Ltd., at about 6:40 A.M., police said.

The six overpowered several se-said the robbers would have to melt curity guards who were working the down the gold in order to dispose night shift, handcuffed them, of it because the bars were stamped poured gasoline over them and with the refiner's name and bore threatened to set them on fire if numbers that could be identified.

about \$40 million. It was understood that the gold consisted of Brinks-Mat, a subsidiary of Brinks, the U.S. security company.

Police said the consignment was to be sent to the Far East but did not say who owned the gold or whether it was normal for Brinks-Mat to have so much bullion on hand at one time.

An hour after the raid, one of the guards managed to wriggle out of his handculls and raised the alarm nounced the dismissal of a high By the time police arrived, there was no sign of the intruders.

warehouse, which is in the Heathrow Trading Estate in suburban Hounslow, west of London. It lies meetings of the Politburo last suming to one of the main runways at ing the Polithuro called for a major Heathrow Airport, which is about a increase in the percentage of power mile (1.6 kilometers) away.

The area is nearly deserted early on Saturday mornings, and there appeared to be no witnesses other than the six employees.

#### Lufthansa Official Freed By Abductors in Bolivia

LA PAZ - The head of Bolivian operations for Lufthansa German Airlines has been freed, 11 days after he was kidnapped, sources at

Friday, but details of the release tion for Nuclear Power. Mr. Verewere not immediately available, the tennikov was previously with the Interior Ministry said. A previously State Planning Committee, the ecounknown organization called the nomic planning agency.

November 10 Group claimed re
Moscow has also anno sponsibility for abducting Mr. creation of a nuclear regulatory

powered lights and television sur- America's branch in Mayfair. veillance cameras, the depot was not an easy target.

It was not known how the robbers managed to avoid the security system or how they removed the gold from the site. A police spokesman said that "they must have had at least two large trucks."

A spokesman for Brinks-Mat said the insurance company who Carrying handgums and wearing held the policy on the gold had offered a \$3-million reward. He did not name the company.

Commander Frank Cater, who is heading the police investigation,

Detectives said the gunmen took about three tons of bullion, worth

Equipped with automatic doors, a sophisticated alarm system, high-The so-called Great Train Robbery in Britain in 1963 netted what

was then worth about \$7 million. The largest robbery on record was at the German Reichsbank in the spring of 1945 when Nazi Germany was collapsing, according to the 1983 edition of the Guinness Book of World Records. Negotia-ble securities valued at \$400 million and gold, foreign currencies and jewelry valued at \$20 million were

laken. The crime was never solved. The biggest known robbery in the United States occurred in December of 1982 when \$11 million in cash was stolen from the Sentry Armored Courier Corp. in the Bronx, New York. Four men are Boston in 1950, the robbers made

## WORLD BRIEFS

#### Pro-Iran Group Claims Iraq Bombings

NICOSIA (Combined Dispatches) — Iran's official news agency said suicide truck bomb attacks by Iraqi underground members on Sunday killed more than 100 Iraqi officials in Baghdad, it was reported here.

An official source in Baghdad, however, denied the report, according to the Iraqi News Agency. The source said no explosions took place in the Iragi capital

In Paris, Agence France-Presse, a French news agency, said Sunday that it had received a call from a spokesman for the Islamic Action Organization in Iraq, a pro-Iranian fundamentalist group, saying it had bombed police and military headquarters in Baghdad. The caller said at least 90 people were killed or witnesseld. It could not immediately be confirmed that the two reports were related.

#### EC Ministers to Meet on Key Summit

BRUSSELS (Reuters) — Foreign and finance ministers of the Europe an Community were to meet here Monday to prepare for what has been widely described as a make-or-break summit due to open in Athens next

The EC's funds are almost exhausted. Six months of intensive negotiaions have identified the areas where action is needed to help revive the community's flagging fortunes. The major outstanding issues are limits on the EC agricultural budget, which uses up two-thirds of the community's budget, and a redistribution of the financial burden borne by each

But diplomats said the 10 states remained far apart on what specific measures should be taken, and no breakthrough was expected at Monday's talks. They said the talks would center on the mechanics of organizing the summit and on fine-tuning the policy options available to the heads of state and government.

#### UNESCO Leader Praises News Debate

PARIS (AP) - UNESCO's debate on global communications has

entered a "new, less passionate, more constructive stage," according to the director-general, Amadou Mahtar M'Bow of Senegal.

Speaking Saturday to the closing session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the United Nations Education; Session of the 22d general conference of the 22d general confer ty for a new world information and communications order."

UNESCO last week adopted resolutions regarded as a compromis under which studies of a new order will continue, but a study of a code of conduct for international media organizations was avoided. Many Three World nations believe Western news organizations have a monopoly on information flow, but Western governments and media groups are concerned that a new order could lead to more government control on

#### Polish Dissidents Offered New Amnesty

WARSAW (Reuters) — A new amnesty proclaimed by the Polish parliament for political dissidents in hiding has gone into effect and will last until the end of the year, the official PAP news agency said.

The Seim, or parliament, said underground members and supporters of the banned independent trade union Solidarity living in Poland would be freed if they surrendered to police before the end of the year. People

abroad can turn themselves in to Polish consulates, it said.

An amnesty offered when martial law was lifted in July expired Oct. 31 after 648 persons accepted its provisions. The authorities said it had been renewed, beginning Friday, as a gesture of conciliation and as part of efforts to restore political and economic stability.

# Irish Nationalist Said to Admit Killings DUBLIN (Reuters) — The alleged leader of the Irish National Liberation Army, Dominic McGlinchey, has admitted in a newspaper interview to killing about 30 people in the past decade. But Mr. McGlinchey was also quoted by the Sunday Tribune newspa-

per as having denied involvement in an attack Nov. 20 on a Protestant church in Northern Ireland. Three persons were killed in that attack, for

which he was widely blamed. Mr. McGlinchey, 29, has also been blamed for a series of bombings and Mr. McGlinchey, 29, has also been blamed for a series of bombings and shootings since he was reported to have taken over last year the leadership of the Irish National Liberation Army, the Marxist offsboot of the Irish Republican Army. The organization, which has broken away from the IRA, is seeking to end British rule in Northern Ireland. Mr. McGlinchey, admitted to involvement in the bombing of a bar last December in Ballykelly, Northern Ireland, in which 17 persons were killed, most of them off-duty British soldiers.

# Reagan to Meet With Shamir, Gemayel

SANTA BARBARA, California (AP) — President Ronald Reagan ended a five-day vacation here Sunday and returned to the White House to prepare for meetings with two Mideast leaders.

Mr. Reagan is to meet Tuesday with Prime Minister Yitzhak Shamir of Israel. On Thursday, he is to confer with President Amin Gemayel of

Lebanon. Mr. Reagan also may meet with Donald H. Rumsfeld, his special envoy to the Mideast, who recently returned from that region. The U.S. president is expected to discuss with the two Mideast leaders the status of a May 17 agreement under which Israel agreed to withdraw from Lebanon if Syria would do the same. Syria has refused to do so. Mr. Gemayel has been empowered by other Lebanese leaders to seek international support for change in the accord.

#### For the Record

Jamaica's national elections will be held Dec. 15, two years ahead of schedule, Prime Minister Edward Seaga announced Saturday. Parliament would be dissolved Monday, he said. (AP)

would be dissolved Monday, he said. (AP)
Isabel Perón, the former president of Argentina, will return there Dec.
8 to attend the swearing-in of President Rail Alfonsin two days later.

Peronist Party sources said Saturday. (Reuters)

A new political party, the Republicans, was formed Saturday by two members of West Germany's parliament. Franz Handlos and Ekkehard Voigt, former members of the Christian Social Union, said the party backed a reunited Germany, environmental protection, fewer foreigners, relebiseites on memor graphics and accomplessive the control of the party backets. standing trial in Federal District Court in Manhattan for the crime. Court in Manhattan for the crime. In the celebrated Brinks robbery robbery in the celebrated Brinks robbery robbery robbery robbe

game is to resume Monday in the world chess championship semifinal in London. Mr. Korchnoi leads the 12-game series, 2 points to 1. (Reuters):

# 6,800 bars of gold in 76 boxes, according to a spokesman for Moscow Appears to Give Priority to Nuclear Power

By Theodore Shabad New York Times Service

NEW YORK - The Soviet

Union has disclosed several key ap-pointments that appear to be intended to give greater priority to what has been a lagging nuclear power program.

construction official who was accused of incompetence in planning Police immediately sealed off the and building a giant reactor manufacturing plant.

directly under the flight path lead-mer on nuclear issues. At one meetthat comes from nuclear sources. About 8 percent of Soviet electricity is nuclear, compared with 13 percent in the United States and 20

According to Soviet press re-ports, overall authority was vested last July in a newly appointed first deputy minister of electric power, Gennadi A. Shasharin, who is a relative newcomer to the higher

echelons of the electric industry. He emerged initially in August 1982 as a deputy minister. Last August, in a move to bolster management under Mr. Shasharin, the Interior Ministry have con- another new deputy minister, Gennadi A. Veretennikov, 49, was put Michael Wurche, 40, was freed in charge of a National Corpora-

Moscow has also announced the Wurche, a West German citizen, in agency. Its chairman, Yevgeny V. thorities are reducing late-night La Paz on Nov. 14.

Kulov, 54, has an engineering television programming.

background and was previously with the Ministry of Medium-Machine Building, which analysts presume is a cover name for the nucle-

ar weapons production sector. Mr. Shasharin, in an interview in September with the industrial daily Sotsialisticheskaya Industriya, explained that regulatory functions used to be divided, occasionally causing bureaucratic conflicts.

In a subsequent front-page article in the Moscow newspaper Sovietskaya Rossia, Mr. Shasharin

much of Eastern and Central En-rope has cut supplies of electricity and drinking water, but farming and severely reduced over traffic.

The Bucharest newspaper Romania Libera said Friday that the drought throughout the Danube

River basin was "unmatched since the start of this century." In Yugoslavia, officials have begun selectively shutting down hy-

tricity for 12 hours a day. Beigrade officials are considering extending the blackouts to 16 hours a day. In Romania, lakes and reservoirs are at their lowest levels in 30 years. In addition to other measures, anbut o meetings last summer re-buked unidentified officials for Deputy Minister Dismissed mismanagement in building the Atommash plant, which is to be the

principal Soviet manufacturer of nuclear reactors when completed. nuclear reactors when completed.

One of the officials has now been ings in his work," Reuters reported identified as Gennadi N. Fomin, Sunday from Moscow, It quoted a chairman of the State Committee chairman of the State Committee government bulletin, which identifier Civil Construction for the past fied the official as G.I. Chekain

design changes that made it diffi-cult to adopt efficient assembly-line techniques at plant sites.

Atommash. A decree just made public said Mr. Fomin, 68, was dismissed in July because of poor Participants at one of the Polit- planning and construction there.

> A deputy minister at the Ministry of Machine Building for Animal Husbandry and Fodder Production

said unspecified measures were being taken to speed the unclear program. He said construction had been in charge of building new ment resolutions, gave no further towns, including the Don River details, except to name Mr. Chekacity of Volgodonsk; the site of lin's replacement as V.V. Bykov.

# Eastern Europe Hard Hit by Drought

CTK news agency.

droelectric plants to save water. leaving some homes without electraffic on Nov. 2. Shipping on the \$200 million in anticipated resonne.

Labe, as the Czechoslovaks call from produce exports because of their portion of the Elbe, was the drought. stopped Sept. 5.

Serious water shortages are af- man for MAHART, the state-run BELGRADE — A drought in feeting several areas of Czechoslo-simpping line. The barges were such of Eastern and Central En-

stopped shipping on the Dannbe stranded.

and other Central European rivers. The Hungarian foreign trade.

A spokesman for the Czechoslo- While some parts of the Yugovak hydrological institute said the slav Danube remained open. simation was the worst in South freight traffic on the Sava, Yugo-Moravia, where water had to be stavia's longest river, had to be trucked in to 60 communities.

Low river levels have slowed or than 400 barges reportedly are

Czechoslovak officials suspend- minister, Peter Veress, said last ed Danube freighter and barge week that Hungary had lost about

Czechoslovak newspapers re-Hungarian vessels designed for ported that the drought had hurt low river levels were virtually alone. farming results and said fields were in most of the Dannbe's Hungarian so dry first plows were being dam-

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#### AMERICAN TOPICS

#### Grenada Invasion: A Recruitment Plus'

In both quality and quantity, it has been a record recruiting year for the U.S. military. The Pentagon says the Grenada invasion can share the credit.

All the armed services easily recruited the numbers of men and women they wanted in the year ending in September, for the third year in a row.

A record 91 percent of the enlistees were high school gradnates, a group the Pentagon considers to be better prospective personnel than dropouts.
"We're getting the highest-

quality people we've ever gotten and we're getting plenty of them, said Lawrence J. Korb, assistant secretary of defense for manpower.

The military life has become

more attractive, the Pentagon believes, because of a rise in patriotism, higher pay and benefits, and an improved quality of life in the services — in addition to the poor economy and high unemployment of re-cent years, which made military service more attractive.

More recently, the bombing attack on the marines in Reiruf and the U.S. invasion of Grenais last month were what Mr. Korb called "a plus overall" for recruiting. In the two weeks after the Beirut attack, the number of people taking service en-trance exams rose about 10

"People sense there is a mission to be performed. Mr. Korb said. They want to be

#### Notes on People -

Norman Bailey has left his White House post as a senior director of the National Securi-ty Council and special assistant to President Ronald Reagan to join the president's 1984 cumpaign as international economic affairs adviser. Mr. Bailey, 52, was appointed to the Republican National Committee's Commission on Foreign Policy and National Security Affairs, the official foreign policy work-ing group for Mr. Reagan's reelection effort.

"Hard Hat Mack" may be just a game, but Thomse G. Anchier, head of the Occupational Safety and Health Administration says it's hardly fair play. In the video game a blue-collar worker trying to build a skyscraper is up against ex-posed wires, falling objects and a particularly dangerous foe — an inspector from OSHA. Officials at the federal agency that enforces job safety standards weren't happy to see OSHA de-picted as the worker's foe. "Let's be fair," Mr. Auchter wrote in a letter to the video me manufacturer, Electronic Arts of San Mareo, California. Hard Hat Mack is a lot safer The makers maintain the game is only a satire.

#### Passing Grades Without the Passes

A ban on teacher-student sex at the University of California's Berkeley campus has been proposed by a faculty committee. which says that romances can disrupt education and demoral-

ize other students. The proposal, made before the Assembly of the Academic Senate at the 30,000-student campus, calls faculty-student sex a "reprehensible breach of professional ethics." It does not members engaging in sex with students, and the ban would apply only when teachers and sui-

#### dents share a murual academic pursuit such as a class or re-

Richard Abrams, chairman of the faculty committee that drafted the proposal estimated there are "several dozen" relationships a year between faculty members and students. "Even a legitimate romance can be very disruptive to the educational process and demoralizing to

#### Portrait of the Artist As a Fund-Raiser

other students," he said.

As working retreats for composers, painters, sculptors, novelists, playwrights and poets, the country's artists' colonies have encouraged an abundance of creative work. Now, five of the colonies are taking a cre-ative tack at find-raising, band-ing together for the first time to seek donations and publicize their impact on American cul-

United in the recently formed Fund for Artists' Colonies are Yaddo and Millay in New York, Ragdale in Illinois, the Fine Arts Work Center in Massachusetts and the Virginia Center for Creative Arts.

The fund, which drew a \$50,000 donation from the Ford Foundation last week, will be a clearinghouse for information, promotion and fund-raising campaigns.

#### A Full Box Of Ol' Blue Eyes

Devotees of the Beatles already had a chance at total im-mersion, since Mobile Fidelity Sound Labs offered the group's entire body of recorded works

in a \$325 collection. Now, Frank Sinatra fans at least those with \$350 to spare will have their turn. In a 16-record collection,



much of Mr. Sinstra's work for Capital Records from 1953 to 1962. Called simply "Smatra," the weighty silver-boxed set in-cludes 205 selections from the period considered by many crit-

#### One-Liners:

Anesthesiologists are the highest-paid medical special-, with a median income of \$150,200 a year, according to a national recruiting firm's survey; surgeons rank second at \$141,600, while pediatricians get a median \$74,020. The Smithsonian Institution's National Air and Space Museum is putting all of its one million aviation photographs, onto 10 video disks to be sold at \$30 each... New York state's electric utilities will join the state government in funding a comwater quality and fish life in the Adirondack lakes, many of which are polluted by acid rain.

#### Billy Baldwin, 80, Dies; Was Dean Of U.S. Decorators

New York Times Service NEW YORK — Billy Baldwin, 80, the dean of American interior decorators, whose taste and sense of elegance enabled him to become the greatest influence on a genera-tion of post-World War II designers, died of a heart ailment Friday in Nantucket, Massachusetts. Mr. Baldwin, who dishked the

term "interior designer," had such clients as Cole Porter, Billy Rose, Mary Wells Lawrence, the Paul Mellons, Jacqueline Kennedy Onassis, Mike Nichols and Diana General Hugh Hester Dies;

U.S. Foreign Policy Critic NEW YORK (NYT) - Hugh B. Hester, 88, a brigadier general in the U.S. Army who after retirement became a fervent opponent of what he considered America's hard-line stance in the Cold War, died of

cancer Friday in Asheville, North In World War I Mr. Hester fought in France and was named to the French Legion of Honor. In World War II, he served in Australia on the staff of General Douglas A. MacArthur, supervising all U.S. Army supplies in the Far East and winning a Silver Star.

Eugene S. Hooper, 85, a former president of the Manufacturers Trust Co., now Manufacturers Hanover Trust, of cancer Sunday in Englewood, New Jersey. He had retired in 1960.

William J. Shields, 70, president of the Barber Steamship Line from 1974 until he retired in 1978, Monday in New Milford, New Jersey.



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# Spacelab Lifts Off Today Inside U.S. Space Shuttle

\$1-Billion European Research Craft Is Most Complex Ever to Go Into Space

By John Noble Wilford

New York Times Service CAPE CANAVERAL, Florida The countdown has begun for launching the most expensive and complex scientific research facility ever put into space.
The 17-ton, \$1-billion European-

built Spacelab, a pressurized unit the size of a bus, will be carried into orbit Monday in the cargo bay of the Columbia space shuttle. The six-man crew, the largest assigned to a space flight, includes the first non-American to fly on a

U.S. spacecraft. He is Dr. Ulf Merbold, a physicist from the Max Planck Institute in Stuttgart. Liftoff was scheduled for 11 A.M. Monday, two days after the countdown began. The Spacelab, which will remain in the cargo bay at all times, will be brought back Dec. 7 for reuse on missions over the very of the carticular to the carticular that was a support to the carticular that the carticular that was the carticular that was the carticular to the carticular that was the carticular that wa

the rest of the century. For the Europeans, who designed, built and paid for Spacelab, the flight marks their debut in manned space technology. The labunder the auspices of the 11-nation European Space Agency.

By all accounts, Spacelab is a

Harrington, a Kennedy Space Center official in charge of preparing the craft, said, "It is by far the best new vehicle the agency has ever

in other ways, too. The experiments were developed by scientists from the United States, Canada and Japan as well as the European Space Agency's member states.

Mr. Merbold and Dr. Byron K.

Lichtenberg, an engineer at the Massachusetts Institute of Technology, are the first non-astronauts to go into space aboard a U.S. craft. They and two astronauts with doctorates in engineering or science, Dr. Owen K. Garriott and Dr. Robert A.R. Parker, will supervise Spacelab operations.

Columbia on its maiden flight in cal system. The four men will be ionosphere. April 1981, will be the mission confined for a week after the flight Two Ear Major Brewster H. Shaw Jr. of the gravity.

hour shifts each day, with one pilot

and at least two scientists on duty

Dr. Ulf Merbold, a West German physicist who will be on Spacelab, greeting Susy Young, wife of John W. Young, mission commander. At right is Dr. Merbold's wife, Birget.

the human body adapts to weight- the Earth's atmosphere. lessness. Blood samples drawn John W. Young, who flew the mones and the body's immunologi-

oratory was built in West Germany at all times to carry out some of the and European instruments are 10

the subjects of experiments on how driving force for the circulation of

A particle accelerator built by from them will be analyzed for Japan will be used to create artifichanges in red blood cells, hor-cial auroras in order to observe election announcements because. complex physical processes in the

Two Earth-observation expericommander. The other pilot will be for studies of their readaptation to ments will also be carried out. One is an imaging radar system de-For astronomical studies, the signed to transmit microwave The crew plans to work two 12- Spacelab is equipped with X-ray beams that will be reflected back to nouncement should be linked to our shifts each day, with one pilot and ultraviolet telescopes and a a dish antenna to map the contours the annual State of the Union adwide-field camera-telescope. U.S. of the ocean surface and the land. The other involves a high-resolu-

most complex experiments ever measure with greater accuracy the tion camera. The crew is to mount conducted in space.

solar constant, which is the total the camera in an optically "pure"

stances — as a statesman, rather
radiant energy of the sun that window in the roof of Spacelab and
than a politician. technological success. James F. tigations, the four scientists will be reaches Earth and is the primary take up to 1,100 images of terrain.

# Reagan Seen Declaring Candidacy in January

By George Skelton Los Angeles Times Service

SANTA BARBARA, California Although there is no doubt that he is running for re-election, Presi-dent Ronald Reagan probably will delay the official announcement of his candidacy until January. White House officials say.

One adviser here, where the president was spending the Thanksgiv-ing weekend, said Mr. Reagan may wait until after his State of the Union address in late January before formally announcing his bid for a second term.

James A. Baker 3d, the White House chief of staff and principal political strategist, said last week that the president would "probably like to delay it even until his birth-Mr. Reagan will be 73 on

Mr. Reagan opposes early rehe contends, the public then regards every governmental action as politically motivated.

"But he's running - absolutely," Mr. Baker said.

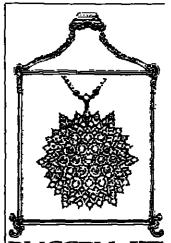
Mr. Baker believes the andress to Congress. This event focuses attention on the president under the most favorable circum-

Since he is unopposed in the Re-

publican primaries, Mr. Reagan will have the benefit, at least until the summer nominating conventions, of avoiding all-out cam-

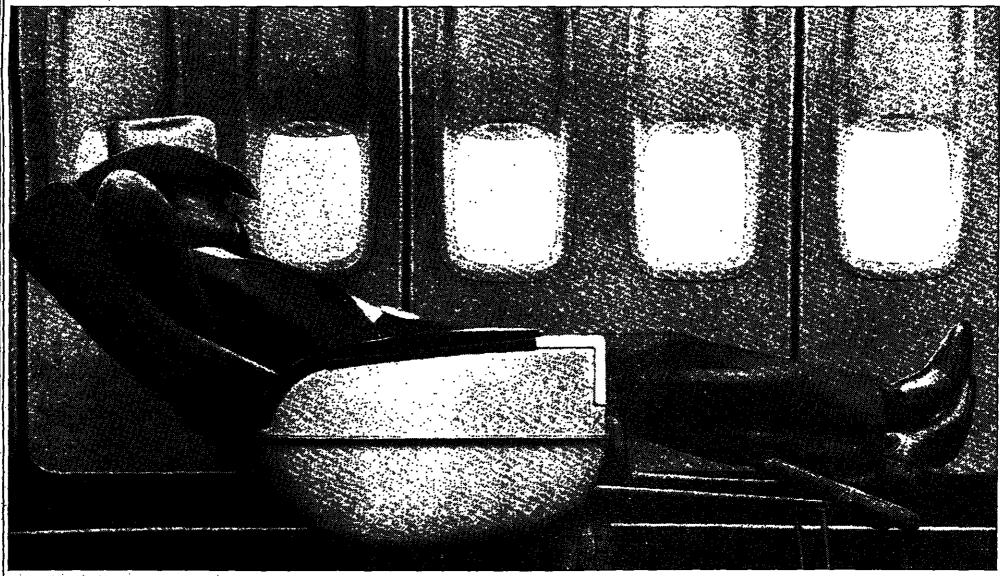
"That's the best way to run as an incumbent - just being a good

president," Mr. Baker noted. He stands to benefit politically from two foreign trips - one to China, in late April, and the other to Britain, probably in June. for an economic conference.



New York, 725 Fifth Avenue

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# Herald International Tribune Published With The New York Times and The Washington Post

# The Alliance Has Held

moved to deploy new missiles - the ones meant to counter Soviet SS-20s - and so it has. A new statement confirms that the Soviet Union is pulling out of the talks on European missiles and preparing its own new deploy-ments against American and European targets. Presumably to show a puzzled world that these are the steps of a government with a head to it, the statement was issued in the name of Yuri Andropov, who has not been seen in public for more than 100 days.

Reasonable people can only wince to see the disappearance of Soviet delegates from the INF negotiating table and the appearance of new missiles for which there was never any military need. The sequence sharpens the question of whether the superpowers are controlling their weapons or the other way around. Concern shows up asymmetrically, in official threats on the Soviet side and in popular anxieties and protests on the NATO side.

The anxieties and protests are in the news, and will remain at the center of politics in Europe. But it is important to note that the Europeans have debated the missiles for half a dozen years, that governments have put the issue explicitly to their voters and that the collective deployment decision has the strength and legitimacy that only an informed, open, democratic choice can have. This is not a development suddenly or surreptitiously thrust upon Europe by the United States.

Is it a development that America might have averted or softened by more skillful diplomacy? The performance of Ronald Reagan and, before him, of Jimmy Carter is open to criti-

Moscow had said it would react if NATO cism. But most of it goes, we think, to tactics and to side issues involving the Western public's perception of American purposes. On the main issue — the solidarity of the alliance and the reliability of the U.S. guarantee — the American presidents have been right. Not always adept and sensitive, but right.

The painful truth is that very little in Moscow's performance in the last half dozen years suggests any other purpose in deploying SS-20s than to intimidate Europe. The Kremlin has grossly misread Western public opinion and official temper alike. It did its full share to close out what bits of negotiating room — the walk in the woods" - came into view.

Helmut Schmidt, then West Germany's chancellor, summarized the issue succincily in 1981. "We cannot do without the stationing of American medium-range weapons in Western Europe as long as the Soviet Union, with its new SS-20 missiles, poses a threat to the whole of Western Europe," he said. And "the Soviet Union has upset the military balance in Europe and created for itself an instrument of political pressure on the countries within the range of the SS-20, for which the West so far

Against this Soviet pressure, NATO has held. The deployment, however, is a somber occasion, certainly no victory for NATO. It is the difficult, necessary and continuing price that Moscow has forced the allies to pay to ensure the integrity of the alliance. The need remains to keep searching for diplomatic for-mulas that will lower the cost and the risk in maintaining free societies.

-- THE WASHINGTON POST.

# But Germany Is at Issue

The news is about new American missiles in Europe, threats of new Soviet deployments and the Soviet walkout from negotiations to regulate this phase of the arms race.

The underlying realities are these: It will take five years for all the new NATO missiles to be put in place. Any limit on Euromissiles will have to be part of a global arms compact. No such pact seems possible until after the 1984 election in the United States.

Then why all the Soviet fury? Because the Kremlin - countering an American president who, it judged, was stalling all negotiations until he could acquire more missiles - has found profit in a political counterattack against the NATO alliance. The true contest concerns not Western Europe's weapons but its adherence to the United States. Above all, the struggle is about the future of Germany.

It was a vote in the Bundestag that cleared the way for the first new American weapons and the Soviet walkout in Geneva. And it was Helmut Schmidt, idly tossing paper airplanes at his fellow Social Democrats, who symbolized the fateful turn in German politics.

Six years ago, while chancellor, Mr. Schmidt requested the new weapons in compelling terms. Now, despairing, he abstained. Although outvoted 2 to 1, his Social Democrats and a new party, the Greens, were opposed. More, they were reinflating the dream that German destiny, and reunification, may be found in neutrality between East and West.

By significantly upgrading the weapons they keep aimed at Europe, the Russians had awak-ened much West German disenchantment with NATO. What began as West German fear of the new Soviet weapons had turned into fear of American bellicosity.

The Russians' new Euromissiles, the SS-20s, did not threaten the United States or Britain and France. But they did alarm many West Germans who have forsworn nuclear weapons and depend for defense on NATO armies, backed by America's nuclear power. In imagining a Red Army assault, these Germans came to doubt that NATO would ever fire its

short-range nuclear weapons now that the Russians hold all European cities hostage. So Mr. Schmidt asked that U.S. missiles capable of striking Soviet cities be placed in the Red Army's path to guarantee him a nuclear shield. In 1979 NATO agreed to deploy 572 such missiles, half in West Germany - unless Moscow agreed to scale back to a lower balance. As long as global arms control looked promising, so did these negotiations. But as Soviet-American relations soured,

the Russians turned to exploit the cracks in NATO. And they dangled a choice before West Germans, between perpetual danger in NATO and a safe neutrality leading to some kind of reunion with East Germany.

They played that siren song at high volume last week. Although they pronounced themselves newly threatened, they foresaw no difficulty protecting themselves. It was Germans they wanted to scare some more by charging that America was again maneuvering to sacrifice Europe in a global war it could thus "win."

That is, of course, a preposterous argument.
The main value of the American missiles is not military but political, precisely to guarantee America's involvement, alongside its Western allies, in any European conflict.

It is also preposterous to think that the Russians would soon relax their grip on East Germany if West Germany turned neutral. Even if disarmed, a unified Germany would become a powerful magnet drawing the rest of Eastern Europe out of the Soviet orbit. No conceivable damage to NATO could compensate the Kremlin for such a menace.

But German nationalism has been known to feast on such dreams. Now that nationalist sentiment has pushed a major party to an anti-NATO line. Germans are under pressure to judge not only the adequacy of American power but the quality of American leadership. The new struggle is not about how many warheads are finally deployed in Germany, but about how many Germans will continue to find pride and safety in alliance with America. - THE NEW YORK TIMES.

Other Opinion

#### After Geneva, a Question

Soviet President Yuri Andropov has issued a statement castigating the denloyment of new U.S. missiles in Western Europe. Does this mean total rupture of the U.S.-Soviet negotiations for reduction of intermediate nuclear forces? Or is it merely the touching of gloves between contending boxers after they size each other up for the first round of a fight? It must be so, because the fate of not only the United States and the Soviet Union but of the whole world rests on the arms reduction talks.

- The Daily Yomiuri (Tokyo).

#### A Vigorous Very Old Age?

Maybe it's time to put the bomb away for a while. The demons receded en masse while I was reading a new book, "Future Life." These far-ranging interviews with 18 of the world's outstanding scientists were almost all shining with optimism. The scientists agree that cancer will be curable by the year 2000 and possibly a decade sooner. A vigorous old, very old age is a gift we can all anticipate.

"Everybody has it in his genetic material to live 105 years, maybe more," says Dr. Robert Good of the Sloan-Kettering Cancer Center in New York. Other scientists interviewed predict a life span of 120 years, with retirement starting at 100. It is possible that a cure for cancer and a cure for early old age will rise from the same research project.

The interviews, compiled by a French physician. Michel Salomon, do not involve fantasies or unproved hypotheses. They are all rooted in the known and the possible.

- Syndicated columnist Harriet Van Horne.

#### FROM OUR NOV. 28 PAGES, 75 AND 50 YEARS AGO

1908: Moroccans Name New Sultan MADRID - The news from Tangier that Muley Mohammed, the One-Eyed, has been proclaimed Sultan by the natives has caused a considerable impression here. People are of opinion that the Moroeccan question, which was thought at an end, is about to start afresh, as Muley Mohammed will be a strong oppo-nent to the [disavowed] Sultan, Muley Hafid. Senor Allende Salazar, Spanish Minister of Foreign Affairs, stated last summer, in reply to a question as to whether Muley Halid would make a good Sultan, that it was difficult to come to any opinion as regards the Sultanate in Morocco, as pretenders may spring up at any moment. It is difficult to decide whether this prophecy was an accident or whether the Minister let slip a diplomatic secret.

1933: Anti-Nazis Fight Boston Police BOSTON - A mob of 5,000 persons, attempting to break up a Nazi meeting at Ford Hall last night, were beaten back by police reserves after a battle of clubs and fists in which several heads were cracked, a number of policemen beaten and uniforms torn before order was restored. The crowd gathered in front of the hall after Boston had been stirred by protests, following the announcement that Dr. Friedrich Schoenemann, of the University of Berlin, would speak on the topic "Why I believe in the Hitler government." Police reserves sent to the scene to be ready for an emergency were able to hold the mob at bay for some time, but finally the protesters took up the chant "Down with Hitler" and "Down with the Nazi," broke

police lines and stormed the hall.

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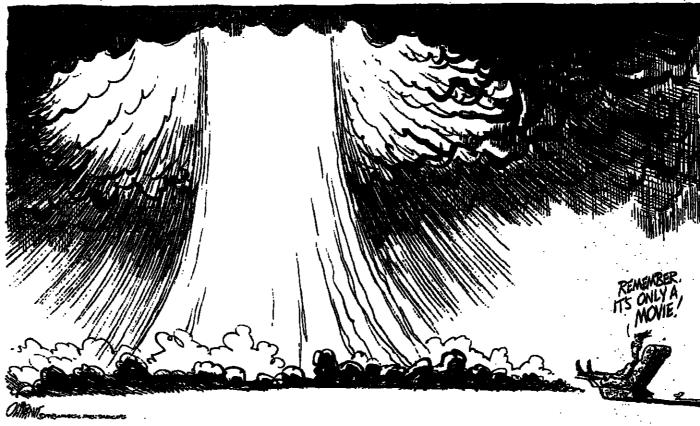
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# Now an Escalation That Wasn't Intended

N EW YORK — It was an ironic coincidence — the Bundestag voting on the 20th anniversary of John Kennedy's murder to give final approval to Pershing-2 deployment on West German soil, six min-

utes from Soviet targets.

Kennedy came to recognize in his last year that, as he put it, if mankind didn't abolish nuclear weapons they would abolish mankind. Two decades later, with the number of warheads on both sides multiplied many times over, both sides continue to act upon the inverse logic that deploying more nuclear weapons is the right path to fewer nuclear weapons and greater security against the holocaust.

President Reagan and his cohorts are reported to be pleased with their success in beginning deployment of medium-range missiles in Europe, after years of intense Soviet opposition. In their view, apparently, deployment is a positive good, balanc-

ing a Soviet advantage.

But the other side of the story is that the Soviet "advantage" has existed since 1963, when Thor and Jupiter missiles were withdrawn from Europe as unnecessary to deBy Tom Wicker

terrence. Until 1977, moreover, Moscow kept more than 600 single-warhead SS-4 and SS-5 missiles aimed at Western Europe, with little protest from NATO or America. In that year Moscow began deploying its modern, three-warhead SS-20 — a decision as shortsighted

as the U.S. move to multiple-warhead missiles a decade earlier. So NATO took its two-track decision in 1979. One track called for the deployment, by December 1983, of 572 Pershing-2 and cruise mis-siles in Europe. The other sought negotiations with the Soviets to reduce the overall level of medium-

range nuclear weapons in Europe. Clearly the deployment track was meant as a bargaining lever - a threat that Moscow could avoid by reducing its medium-range missile force. But the Reagan administration took that track as a positive mandate to deploy U.S. missiles which would raise the level of such weapons in Europe, contrary to the

intent of the negotiating track.
The original NATO intent was to reduce the level of deployment of

medium-range weapons in Europe

—not, if at all possible, to raise that level by equal U.S. deployment. And from the day of the two-track decision, Moscow has insisted on no U.S. deployment, since its view was that a rough parity in medium-range weapons in Europe already existed—its missiles against British and French missiles, U.S. forwardously, since it continues to demand no U.S. deployment of medium-range missiles in Europe; to him based aircraft and NATO's 400 submarine-missile warheads.

Nevertheless, in tacit acceptance of the Western view that deploy-ment of the multiple-warhead SS-20 had given them a new advantage, Union has broken off the negotia-Moscow has offered substantial retions as threatened. ductions — most recently, on Oct. 26, to "about 140" SS-20s with 420 warheads, down from the present force of 243 SS-20s with 729 warheads plus about 200 old, singlewarhead misiles. The 420 remaining warheads would in fact have been

aimed at Western Europe before SS-20 deployment began in 1977. Debatable, of course, is whether that is a sufficient Soviet reduction - whether Moscow might be per-

fewer than the number Moscow

suaded to make further cuts as the price for keeping the Pershing-2 out of Europe. Still, it is an achievement along the negotiating track, to which the deployment track was in-tended to lead bargaining power. Mr. Reagan insists, however, that Moscow is not even bargaining seri-

that deployment seems more important than lowering the level of Sovi-et warheads aimed at Europe.

Now the Bundestag has acted, the four-year process of U.S. deploy-ment has begun and the Soviet

Washington insists rather nerwashington has stated at the state of the saving interval and negotiate "actiously," now that it knows U.S. deployment can't be stopped. But, as Yuri Andropov indicated Throaden this pay he a dicated Thursday, this may be a dangerous illusion. Meanwhile, that deployment means an increase in the level of medium-range weapons in Europe, hence another needless leap in the nuclear arms race.

The New York Times.

# The British After Kennedy: Ambivalent Mourning

ONDON - The 20th anniversary of John F. Kennedy's assassination assumed in Britain—at least for those who write and edit Britain's newspapers and produce its televitic relationship, it has needed to think tolerant and republican Rome, wor-

this, one has to ask why. The answer, I think, lies in a perwhat the British nation now stands for, or can become; and, underlying that, a divided mind about the United States, its faithful ally.

The attention paid to the anniversary seemed greater here than in America itself. Virtually every major the American Rome. newspaper had it as its principal feature, publishing excerpts from new biographies of President Kennedy

and new histories of his administration, interviewing his past associates

— Arthur Schlesinger, McGeorge Bundy, Pierre Salinger and others. There were BBC specials on radio and television. Independent Televi-

sion initiated the three-part Kennedy history that played not only here but simultaneously on NBC and in dozens of other countries.

Yet while John Kennedy was alive - and although he spoke well of Britain, and listened deferentially to Harold Macmillan at international meetings - he certainly did the British no favors. The Kennedy presidency actually ended, for practical purposes, the "special relationship" established between the two countries in World War II.

The relationship survived the 1950s because Dwight Eisenhower was president and he, more than almost any other American, had been responsible for creating that relation-ship. He certainly was the man who made it work in the 1940s, when British and American armies, staffs and military traditions had to be put creatively together.

The blow to Britain that Mr. Eisenhower delivered in 1956, when he threatened financial reprisals if the Suez invasion went on, revealed Britain's loss of autonomy and its postwar decline in power, but it was also something that would only have been done by someone who felt as close to Britain as Eisenhower did.

The blow to British independence delivered in turn by John Kennedy, in abruptly cutting off the Skybolt missile program, was much crueler. The United States, for its own reasons, without consultation - indeed, hardly noticing the consequences for Britain - canceled a joint weapons program upon which Britain had based the future of its independent nuclear deterrent.

Polaris submarines and missiles were hastily substituted, in some embarrassment, but these made Britain totally dependent for its deterrent upon American willingness to go on supplying the missiles and the technology. Britain's subordination could not have been more nakedly stated. In fact, in the Kennedy years, West Germany replaced Britain as Ameri-

ca's prinicpal European ally. Why, then, should Britain today so admire and mourn John Kennedy? The answer seems to me to lie not in what he did for or to Britain but in what he stood for as an American. Precisely because Britain did, in the

By William Pfaff

It was certainly in the logic of events, but it was not inevitable. It sisting British ambivalence about was a deliberate choice, made originally to save Britain by encouraging the eventual American intervention in World War II. After that, Britain — or Britain's governing elite, cer-tainly—resolved, as Harold Macmil-

A fateful decision, and one with obvious consequences to the national sense of self-respect, but also tolera-

sion — the proportions of national mourning. Coming from the Continent, where the anniversary certainly received attention but nothing like this, one has to ack who ways to be America at its best, most

brilliant, most energetic.
The British understood, as most. Europeans did not, the moral and constitutional challenges subsequentposed for Americans under the Nixon administration. The United States, after John Kennedy, did not seem so wonderful.

For Americans themselves, that has presented problems, but also the possibility of their solution. For another nation, which has committed

itself to the relationship with the United States, and in an important way remade its own understanding of itself in terms of that relationship, what has happened in the United States strikes more deeply, and imposes a certain sense of impotence. What does this choice, made by Britain 40 years ago, mean now? To what future has Britain committed itself? What price has been paid, and what has yet to be paid?

These mostly remain unspoken questions, but they exist, unasked, below the surface of the alliance with the United States. In mourning Jack Kennedy so extravagantly these last few days, the British have been recalling not America's lost innocence, but losses of their own.

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# But See Here, There's Life After Empire

L ONDON — Dean Acheson once remarked — many here consider sagely - that Britain had lost an

impire but not yet found a role.
Little could be so intoxicating as an empire. As a boy I collected Indian stamps that boasted the picture of George VI and, underneath, the inscription. "Emperor of India." Not even the French bettered that.

At their meeting in New Delhi last week, as the leaders of the Commonwealth drove past the grand buildings designed by Sir Edwin Lutyens - architecture, as one critic has observed, that was "built to intimidate" - to the viceroy's palace that is now the president's, some might have wondered if Acheson was right.

But I would surmise that some of them realized, 36 years after the modern Commonwealth was created, that time - rather than architecture, grandeur or military force - has allowed us to see that Britain has found a role, and one to make the superpowers rather jealous.

Gathered in New Delhi were some four dozen heads of government or their stand-ins, meeting at first in the presence of Queen Elizabeth II. All recognize her as head of the Commonwealth, and some, including Marxists and post-Marxist Grenada as head of state as well.

The fact that those leaders were prepared to give a whole week to this exercise suggested that they did not regard it as yet another gathering. Most of them have known each other for years, meeting regularly through parliamentary exchanges or at one of the many Commonwealth get-togethers of ministers that precede any big international meeting. For instance, two months ago Commonwealth finance ministers met in Trinidad to prepare for the joint International Monetary Fund and

World Bank meeting a month later.

Over time, something has happened that Acheson may not have foreseen. The clubiness - the urge to stay together despite differences has given these legatees of empire a rare quality, a sense of familiarity that on occasion leads to intimacy. That may seem to be of minor consequence to the professors of real-

politik, but in real life it is a measurable asset. It did not arrive on the

By Jonathan Power

doorstep of the Commonwealth partners like a military conquest, and it does not have the definiteness of a major international treaty like SALT-1. But it has something that force and treaties cannot buy.

The nearest competitor to it is France's special relationship with French-speaking Africa; but there is really no comparison. The Commonwealth brings together the world's largest democracy, India, half of Africa and the Caribbean, and the longemancipated, mainly white former colonies of Australia, New Zealand and Canada. It crosses cultural, color, religious and time zones.

Intangible solidarity is probably the Commonwealth's most important asset — the ability to communicate in confidence, to think aloud without commitment. Members can call each other up and meet without the nor-

mal procedures of protocol.

Tangible solidarity is on the record. Arnold Smith, a former secretary-general of the Commonwealth and a Canadian, recalls how, at the meeting in Singapore in 1971, British Prime Minister Edward Heath had a bitter fight over his insistence that Britain would sell arms to South Africa and reactivate British presence at the Simonstown naval base on the

Cape. The Commonwealth appeared about to break up, and was saved in the end by a deft compromise engineered by Canada's Pierre Elliott Trudeau during a coffee break. The arms deals did not go through.
In Lusaka in 1979, when Prime
Minister Margaret Thatcher appeared about to recognize the illegal regime in Rhodesia, Nigeria and Aus-tralia were instrumental in persuading her to give a negotiated solution one more try. It was a success, and free elections were held under Com-

It was galling to the right wing in Britain, but Mrs. Thatcher pledged in Parliament the day before she left for this year's meeting in New Delhi that Britain would honor the Gleneagles agreement of the 1977 Commonwealth meeting that prohibits sport-ing links with South Africa.

monwealth supervision.

Mrs. Thatcher takes her Common-wealth obligations seriously. Can she, some Commonwealth officials have wondered, be liberalized as Edward Heath was before her? He became one of the Western world's most effective champions of economic and political reform on behalf of the Third World. Mrs. Thatcher probably did not need reminding that when the Commonwealth succeeds, it reflects well on Britain. Losing an empire may not be everything.

International Herald Tribune.

#### LETTERS TO THE EDITOR

For Buckley ...

Regarding "The Question Remains: What if America Gave Up?" (1HT, Nov. 22) by William F. Buckley Jr.:

An hour ago, as we are breakfast and listened to the BBC about the demonstrations everywhere against the installation of missiles in Britain and on the Continent, I said to my

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

American husband, "One wonders if the United States would not be better off to become isolationist." Then I

read Mr. Buckley's cohumn. His article should be broadcast and televised in the United States, not once but many times, until it sinks into the dull minds of those clamoring for disarmament. Will the world never learn from the past?

EILEEN SCHLESINGER Zonich.

... and Against Mr. Buckley makes a mockery of a deadly serious issue. He gives us only two choices: either a perilons nuclear

buildup or one-sided American dis-(Continued on Page 5)

WASHINGTON — Americans cannot directly determine in any important way how the Soviet Union will evolve. Nor should they look for a maturing society with its own traditions to replicate or even approximate their own. However, as the Soviets' principal adversary and object of fascination, America is more involved in the Soviet evolution than it may realize. To me this suggests a need to begin, in the second half-century of relations, a far more compreheasive Soviet-American dialogue than was attempted in the first 50 years.

The first need at this time of dan-

gerously diminished dialogue is for increased but more clearly defined

Helping

Russia

**Evolve** 

By James H. Billington

contacts. All dialogue, especially at the higher levels, should be respectful in tone, particularly as the Russians crave respect and may invisibly min-ic America's model. The dialogue should be of three quite different types, each with a different objective. First, with the vestigial Stalinist oligarchy that is still in charge, dialogue should be tough and specific. One should never be soft and general with Stalinists. The meaningless "general principles" of the 1972 Soviet-U.S. summit facilitated rather than forestalled Soviet advances. Ingratiating approachés taken for domestic political reasons are invariably re-ceived as a sign of weakness and an invitation to further manipulation.

It is also important that there be only a single, substantive dialogue on the high strategic questions, because unity, like firmness, is essential for closing a deal. One should feel nei-ther intimidated by threats of a walkout nor compelled to make gratuitous demonstrations of flexibility to win vague goodwill. The older leaders know about war and almost certainly want an agreement in this area.

Second, with the broader society and the postwar generation, the need is for an exploratory dialogue that is generous and general rather than tough and specific. Vastly expanded exchanges with this generation now might help build a basis for more comprehensive agreement later.
The social basis for repression in

the U.S.S.R. today is the combination of a swollen state and a weak society. Broadened American exchanges with Soviet society as a whole - on a professional, regional, educational, cultural and purely random basis - would encourage the elements that make for civic responsibility. Economic contacts could suggest new models for management and encourage the kind of self-respect that might make Russians less psychologically dependent on gain-

ig respect through the military. Third, a new category of dialogue would involve Russians and Americans with other countries in discussing and developing a new global agenda—perhans looking to the year 2000. Such a format would provide the model for the next generation of Russians, who must look to the West for new approaches to world order.

Many of the problems are them-

selves multinational, and new ideas may be easier to accept if there are new forums that are multinational rather than binational. The continuing thermonuclear

confrontation requires the first type of contact: tough and specific and at the highest level. Both sides have an overriding responsibility not to leave the nuclear negotiating table until they have begin to reduce the global menace they have co-authored, and not to make this overriding issue hostage to other issues.
The ideological aspect of confron-

tation is an ideal element for the broader level of dialogue that brings in the younger Soviet generation not yet in power. The peaceful discussion of ideas with that generation might help check the inertial drift of the vestigial Stalinists into endorsing revolutionary violence in distant places.

Almost certainly the traditional imperial aspect of Soviet policy will increasingly become a greater con-cern of Russia's Enrasian neighbors than of America. Since the problem of borders involves deep psychologi-cal sensitivity on the Russian side and the very existence of many neighboring peoples, it should not be left to the play of chance but discussed in the third type of multilateral dialogue over a long period of time.

There is clearly a need to increase support for Russian studies throughout America, and there should probably be one high-level place in government to provide comprehensive analysis and policy coordination for all dealings with the U.S.S.R. No longer can there be any room

for illusions about a governing group that, in the Stalin era, produced one of the two greatest, sustained statesponsored sets of atrocities against its own subjects in the 20th century. There can be no excuse for weakness in dealing with those who have ceased in the last 20 years to permit talk about, let alone restitution for, the horror on which their power rests. But America does not have to lower its guard to raise its sights. It can invent new forms of dialogue, reach limited agreements, and perhaps even devise new forms of joint activity that can substitute cooperation for confrontation. The coming Soviet generation would welcome fresh initiatives. In seeking a non-Stalinist path into the future, it will want better links with both its own deep past and its broad, contemporary experience.
However, it might just prove harder to take small steps than big ones.

This is the third of three articles adapted from The Washington Post. The writer is director of the Woodrow Wilson International Conter for Scholars in Washington and has written histories of Russian culture and the revolutionary tradition....

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# Ping China May Cancel Zhao's U.S. Trip SSia Over Unpleasant Incidents, 'Hu Says on Taiwan's Junure recently adopt-

his visit to the United States in that China had officially asked for January if the Reagan administration and explanation from the Reagan, tion lails to rectify "one or two administration about a resolution

By Sam Jameson recent impleasant incidents, ac on Taiwan's luture recently adopt-tor Angeles Times Service cording to Hu Yaobang, leader of ed by the Senate Foreign Relations TOKYO — Prime Minister Speaking at the Japan National If there is no satisfactory and Ziyang of China might cancel Press Club, Mr. Hu said Sanirday swer, we would have to reconsider

- even right before departure whether the trip should be made, as scheduled," Mr. Hu said.

He said, however, that "we do not desire a cancellation of the visit to the United States."

He also reiterated past declarations that China considers improvement of its relations with the United States "important to world stability

Mr. Hu did not say whether a cancellation of Mr. Zhao's trip would result in cancellation of a hinese invitation to President Ronald Reagan to visit China next spring. However, both visits were announced simultaneously when Secretary of Defense Caspar W. Weinberger visited Beijing in Sep-

The tup to Japan by Mr. Hu, 68, was his first ever to a non-

ommunist country.

He said that since the mutual exchange of visits between Mr. Zhao and President Reagan was decided, "one or two unpleasant incidents' have occurred. In his only one: the Foreign Relations Committee's resolution on the fu-

Mr. Hu said the "vital point" to which China objected was a decla-ration in the resolution calling for "all people on Taiwan" to approve any unification of the island with mainland China in the future. China claims sovereignty over the is-

In a meeting Thursday with Prime Minister Yasuhiro Naka-sone, Mr. Hu identified the other easant incident" involving the United States. It was Mr. Reagan's reference to Taiwan by its official title, the Republic of China, and a pledge by Mr. Reagan not to abandon Taiwan.

San Francisco-to-New York flight quarreled and one asked for political asylum after the plane landed in Chicago. Both statements were made during Mr. Reagan's Nov. 9-12 visit to

At his press conference Satur-Chinese Courier, on a Jet day, Mr. Hn also said China saw no ed to develop relations with Washington beyond present levels.

Asked about the defection of a Chinese diplomat in Chicago on

Friday, Mr. Hu indicated that Beijing would not make an issue of it. Mr. Hu earlier met leaders of as beginning with "some sort of Japan's six leading business organi-heated discussion" between the two zations and asked for their cooperation in developing coal mines and

One of the men then reportedly power plants in China told a flight attendant that he want.

During a lunch with Prime Mined to seek political asylum. While ister Nakasone and his wife, Mr.

it out on the ground."

"When the plane landed," Mr. China would be willing to allow Drummond said, "it was held until Japanese companies to establish wholly owned subsidiaries and ex-



Li Shuang, a Chinese artist, and her French fiancé. Emmanuel Bellefroid, after being reunited in Paris.

#### Chinese Painter Is Reunited With French Fiancé in Paris

PARIS - Li Shuang, a Chinese abstract painter sent to a labor camp in 1981 for living with a French diplomat, has been reunited with her fiance in Paris.

The couple embraced as Miss Li, 27, arrived Saturday from Beijing where the authorities gave her permission to leave Friday.

Chinese-French relations were strained by Miss Li's sentence in late 1981 to two years in a labor camp for re-education after being charged with "incitement to debauchery" — living in a foreigners compound with Emmanuel Bellefroid, the French cultural attache.

Chinese authorities go to extreme lengths to discourage contact between foreigners posted to China and Chinese citizens.

But diplomats in Beijing believe the real reason Miss Li was jailed was because of the links she and Mr. Bellefroid maintained with

Mr. Bellefroid was effectively expelled after being accused of acting in a manner incompatible with his diplomatic statu Miss Li was released last July, before the end of her sentence.

"I'm convinced that without the support of public opinion and the press I would never have been remitted with Li Shnang." Mr. Bellefroid said at the airport. "Now we're going to get married and be happy."

Miss Li, speaking in Chinese, said she loved her family and country

and intended to return at some point.

She told a French journalist she wanted to get married as soon as possible, but completely in accordance with Chinese law. She added that she hoped to resume painting.

News of Miss Li's arrest broke during a visit to Beijing by Michel Libert the the Character of the control of the character of

lobert, then the French foreign trade minister, in November 1981. Mr. Jobert unsuccessfully interceded for the couple with Chinese leaders, and the incident cast a pall over Chinese-French relations. News that Miss Li had been allowed to leave the country came just a few weeks before China and France are due to celebrate the 20th anniversary of their establishment of diplomatic relations.

# New Argentine Leaders Said to Reject N-Pacts

By Jackson Diehl

BUENOS AIRES — The direc-

democratic government have indi-cated that they will not change the refusing to accept international safeguards for Argentina's advanced nuclear plants. Hans Blix of Sweden, the agency

head, said Friday that he had again urged Argentina to accept such safeguards. He met Thursday with Raul Al-

fonsin, the Argentine president-elect, and earlier became the first international official to visit a new Argentine plant for enriching ura-In mid-November, the Argentine

authorities announced the existence of the facility in southern Patagonia and said it made Argen tina the pinth country in the world with uranium-enrichment capacity Enriched uranium can be used to produce nuclear weapons. Mr. Blix said that the new en-

richment plant has been described by Argentine officials as capable of enriching uranium by a factor of only 20 percent, well below the level needed for weapons.

The incoming government "is contemplating the way it will handie the nuclear industry," he said, and "discussions we have been our suing with Argentina for a long time on a safeguards agreement will continue."

Mr. Alfonsin issued a statemen Thursday saying that Argentina's nuclear program would be limited "to exclusively peaceful ends".

#### The incident also reportedly in the other counier stood by an air. His added precious metals, nonfer-rous metals and all forms of energy volved a dispute on board the air make possents, the flight attendant resources to the list of raw materiinformed Captain Dion. According to the airline official, pan's help in developing, the pilot decided to limit and "sort. Mr. Flu told both the business executives and Mr. Nakasone that craft between the would-be defec-tor and another Chinese counter over possession of diplomatic ponches they had brought abound After the loud dispute, which or

By Andrew H. Malcolm spokesman described the incident men, who were seated on different levels of the 747 aircraft.

A man believed to be a Chinese courier guarding two

diplomatic pouches in New York after two couriers on a

Over U.S., Asks Asylum

CHICAGO — A Pan American-World Airways transcontinental

flight made an unscheduled stop-

here Friday after a passenger, a

diplomatic courier for China, asked

the plane in San Francisco.

International Airport

thorities, met the flight

curred when the Boeing 747 jumbo

west of Chicago, Captain Gerald Dion, the pilot of Pan Am Flight 72A, decided to land at O'Hare

Captain Dion radioed ahead for

assistance, and State Department

defector, whose name was reported

to be Yang, left the aircraft, and the

plane confinued on its way toward

Kennedy International Amport in

(Continued from Page 4)

armament with subsequent Sovier

domination. His "Soviet beast" is

no less dangerous than the Ameri-

It is obvious that the West must

speak from strength if it means to

heaven's name can more atomic

The remaining question, con-trary to Mr. Buckley's absurd argu-ment, is, When will be and people

da ("the Soviet beast"). This men-

realize it. Why are the most conser-

vanve spokesmen so afraid of dis-

armament? What have they to lose

Blonay, Switzerland

weapons be the answer?

the situation was resolved."

# The officials said privately that ercise complete control of their The officials said privately that trace compared in stead of setting up tor-general of the International hon-defecting counter if the plane's joint ventures with Chinese governmental corporations. Atomic Energy Agency says that members of Argentina's incoming and Immigration and Naturalization Service officials, as well as fed. New Code of Canon Law Takes Effect, eral and local law enforcement an-

New York Times Service

ne passengers."

1960 on the day he summon According to John Drummond, Second Vatican Council. the city's deputy aviation commiss. For most Catholics, the formal thority and the needs and rights of cream that the courses when the institution of the revised code Catholic people. It is generally returned to institution of the revised code of the two courses when the mostly ratifies changes that have garded by canon lawyers as less offenses requiring excommunication was near Chicago. A Pan Am already taken place in the last delegalistic and more directed toward to have been greatly reduced.

horities, met the flight.
After three hours, the Chinese Ratifying Changes in Catholic Church lefector, whose name was reported

lomatic pouches, continued on the dural guide, subordinate to dogma, communal, organic character of the it is open to diverse interpretations, church are central concepts in the The captain on board felt it was in ing the pragmatic implications of somewhat played down in favor of the carrying out Vatican Council the passengers to land in Claicaplace over a 17-year period and was go. There was no concern by any of called for by Pope John XXIII in the passengers."

In the biggest impact of the revised code, according to Catholic officials, is to prod laggardly dioceses into carrying out Vatican Council reforms.

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In the revised code, according to Catholic officials, is to prod laggardly dioceses into carrying out Vatican Council reforms.

called for by Pope John XXIII in Further reflecting the Vatican of canon law is largely understood to be a means of inspiring individuals to accept church teaching rath-

ights movement at first.

By Kenneth A Briggs cade rather than introducing new encouraging the faithful than impractices.

New York Times Service practices.

New York. There were no reports of canon law for the Western rice of injuries among the 88 passengers, 11 Hight attendants and three the Roman Catholic Church went cockpit crewnen.

The courier who left the plane after it was promulgated by Pope was taken into custody by agents of John Paul II.

The courier who left the plane after it was promulgated by Pope was taken into custody by agents of John Paul II.

The revision includes nearly thousands of requests for annulate that are made every year.

The most notable exception for American Catholics is that the church will be required to give up a incorporated as new elements in the revised code. Members of the laity are officially made eligible for expeditious means of handling the such responsibilities as serving thousands of requests for annulate that are made every year. and the State Department and was 1,700 laws, 700 fewer than the pretaken to an anninclosed location, vious code, which was released in ln broad terms, the Vatican
The other conter, with all the dip1917. Because canon law is a proceCouncil's main emphases on the bunals, but otherwise their status remains basically unchanged.

The biggest impact of the revised

#### LETTERS TO THE EDITOR care about future generations and the "100 million ished with President John F. Ken-Americans" who would die — even nedy is quite incredible. young that I care about future gen-

- Many Americans think that if they "are going to die one of no less dangerous than the America and these days in any case.

America's problems today can be attributed largely to Kennedy. Internationally, he was responsible for making a permanent fixture out of Castro and communism in Centernational communism in Centernation control castro and communism in Centernation can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. Internationally, he was responsible can be attributed largely to Kennedy. In the can be attributed largely to Ken Рапа. tral America - by refusing air and Mr. Buckley's statement that the naval cover for the Bay of Pigs do business with the Russians. But 100 million Americans who would invasion and then pledging to Khrushchev never to attack Casthe West is already strong. How in be killed in a full-scale nuclear war.

"are going to die one of these days tro; and it was Kennedy who began without nuclear anesthetic, and in putting U.S. troops into Vietnam J.A.C. RUPERT almost every case more painfully, on a massive scale. is so frighteningly irrational that it precludes intelligent comment. to claim that he was the major force SUSAN CHRISTIAN. for the rights of the American black. President Kennedy largely Paris. ignored the blacks and the civil

like him give up? For years the Against Lewis, Too American people have been subject It's getting increasingly difficult to tell the difference between a Tass to hysterical anti-Soviet propagan-

oa ("the soviet peast), ims men-tality is archaic and people should—release and a column by Anthony regize it Why are the most concern. Lewis, Do we need both? CARL KOCH

Frankfort

my satisfaction in the hereafter. Nov. 21) by Tom Wicker:

And perhaps it is because I am Your front-page headline to the

#### America and Europe

how well-intentioned, typifies those in the West who stubbornly equation, even by implication, be- dered largely superfluous. tween that brutal enslavement by the Soviet Union and the American It is also utterly untruthful presence in Western Europe bor-

ders on absurdity. The writer suggests ways for a gradual surrender of Western Europe to the Soviet Union. He also talks about "legitimate security in-terests" of the Soviet Union in the The American dream has vanished? Anyone who knows Americast-central part of Europe. The called the rest of the world well can fact is that the independent Polish state before World War II, even ernment in Grenada? I understood constantly feel the creative urge of under an allegedly unfriendly that the Grensdians were to be free America and the lack of it else-(read: anti-communist) regime, to choose which kind of govern-was no security threat to Russia. ment they want now that the Cuwhere. America is quite possibly the only place in the world where of America have not?

I for one cannot bury my head in the quicksand of religion and find the quicksand of religion and q bore a heavy share of responsibility ans and North Koreans have been as a co-perpetrator of military ag-gression against Poland.

M.K. GREEVEN. Barr, France. Today the Polish nation contin-

ues its seemingly hopeless struggle for a more independent form of In response to "Time to Withdraw" statehood. This is perhaps one of U.S. Forces From Europe" (Letters, the "perils" that worry Professor Nov. 14) from Laurence I. Radway: Radway so much. Alas, a lasting Professor Radway, no matter peace in Europe must include the whole Enropean continent.

Only by relinquishing its tight believe that gradual withdrawal of colonial grip over Eastern and Cen-U.S. troops from Western Europe tral Europe can the Soviets provide might stimulate similar moves by proof of their peaceful intentions. the Soviet Union in Central and And only if that happens can the Eastern Europe. To put a mark of role of NATO in Europe be ren-

#### The Grenadian Choice Regarding "U.S., Caribbean

Troops Hold Hundreds Suspected of Link With Bishop, Council" (1HT) Nov. 14) by Loren Jenkins:

What's this I read about the establishment of a pro-Western gov-

PAUL ROMANO.

the state of the s



#### Dial An Astronaut

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RECENT ISSUES

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# In 'Spirit of the Elbe,' Chicagoan Is Buried Near It

#### East German Rites Honor Former GI Who Sought U.S.-Soviet Understanding

By James M. Markham

New York Times Service

TORGAU, East Germany - Borne to his grave by Soviet and American military pallbearers, Joseph Polowsky was buried Saturday in this town by the Elbe River that he helped liberate when the United States and the Soviet Union were allies in 1945.

Under a cold rain, Russians, Americans and knots of townspeople honored the memory of Mr. Polowsky, a Chicago taxi driver who led virtually a one-man campaign to build friendship between the United States and the Soviet Union and revive "the spirit of the Elbe."

Mr. Polowsky, who died of cancer in Chicago on Oct. 17, had asked to be buried in Torgau where the Red Army and U.S. troops linked up 38 years ago — in the hope that he might kindle reconciliation between the two nations.

On April 25, 1945. Mr. Polowsky, a private in the 273d Regiment of the 3d Army's 69th Infantry Division, was in a reconnaissance patrol that reached the Elbe and met Soviet forces coming from the east. The pincer move extinguished the resistance of Hitler's troops, and the linkup produced fraternizing and rejoicing —an indeli-ble moment for Mr. Polowsky, whose grandparents were born in Minsk.

The East German Communist authorities agreed to his request to be buried here, and friends from his little group, known as Veterans

for Peace, helped raise the cash to bring his body Khrushchev and Soviet veterans of the Elbe

friendship was, fleetingly, fulfilled on Saturday nuclear weapons, and every April 25 kept a vigil morning. Three Soviet war veterans and three by the Chicago River. Americans wheeled his silver-gray colfin. draped in the American flag, to a grave by a bed muddy river, three Soviet soldiers in gray great-

shall not lift up sword against nation."

But the weather and the drabness of the flat countryside conspired to evoke the current chill-iness of Soviet-American relations, not Mr. Po-American" who had dedicated his life to "furlowsky's hopeful vision.

Although the East German authorities had ced the funeral ceremonies, word spread, and clusters of Germans quietly followed the coffin as it was borne through their

Moved by his experience, Mr. Polowsky visit- Russian Bible and gave a German Bible to Moscow in 1955 and met with Nikita S. Torgau's mayor, Horst Strahle.

campaign. He sent petitions and open letters to Mr. Polowsky's dream of Soviet-American world leaders, urging them to halt the spread of

of pine branches in the Torgau cemetery.

Coats and three U.S. Army soldiers simultaThere the Rev. William Sloane Coffin Jr., neously laid wreaths in memory of Mr. Pocoats and three U.S. Army soldiers simultapastor of the Riverside Church in New York, lowsky. Earlier in the morning, the delivered a rendering from the Book of Micah: wreath-laying had almost stirred an incident "And it shall come to pass in the better days that when Major General Alexei Gorlinsky, the sethe mountain of the house of the Lord shall be nior Soviet officer, said the Soviet wreath should raised above all mountains, and nations shall be laid first. But he bowed to a suggestion from come and beat their swords into plowshares and Bruce Clark, a political counselor at the U.S. their spears into pruning books. And nation Embassy in East Berlin, that the wreathes be

Elbe," said General Gorlinsky, who nonetheless indirectly charged the Reagan administration "The whole town would have come out if they had announced it," said a local schoolteacher.
"But they didn't want that. They didn't want a Theodore Polowsky, 23, the son of the cab driver, presented the Soviet delegation with a

# On Saturday, at a Soviet war memorial by the

laid at the same time. Trembling in the rain, the elderly Soviet gen-

thering friendship between the people of the United States and the Soviet Union so that wars would never happen again." "We affirm our allegiance to the spirit of the

# **Rightist Killers Known** To Salvador, Envoy Says

By Robert McCartney

SAN SALVADOR — The U.S. ambassador to El Salvador, Thomas R. Pickering, has accused the Salvadoran authorities of failing to crack down on rightist death squads even though individuals responsible for the killings were "well known" to the security forces.

Mr. Pickering's statement Friday marked the first time that a U.S. official has said publicly that the Salvadorans knew who was behind the murders.

Without going into details, the ambassador confirmed the accuracy of recent U.S. news reports that had singled out several officers of the Salvadoran security and military intelligence services as alleged leaders of the assassination teams.

None of us," he said, "can afford to continue in the self-deluding belief that nothing is really known about the shadowy world of these individuals and therefore nothing can be done. The cost is too great for both our nations."

Mr. Pickering reaffirmed recent strong U.S. criticisms of the death squads, calling them "fascists serv-ing the communist cause." The criticisms have come in response to an upsurge in murders this fall as the country prepares for presidential elections in March.

"The essential stumbling block to democracy in El Salvador remains extremist terror," he said.

Mr. Pickering delivered his speech to about 150 members of the American Chamber of Commerce in San Salvador. There was scattered applause when he re-emphasized the necessity that the Salvadoran government move against the death squads, and polite applause as he finished.

The speech was Mr. Pickering's first since he arrived in El Salvador as ambassador in early September.

His strong attack on the death squads was considered particularly significant because it continues the practice of his predecessor. Deane R. Hinton, who used the same forum to criticize the killings last

The replacement of Mr. Hinton with Mr. Pickering was viewed as reflecting the Reagan admininis-tration's dissatisfaction with Mr. Hinton's outspoken statements on cism of the death squads by Mr. Pickering might have been viewed as a tacit endorsement of their activities.

Mr. Pickering's address followed strong criticism of the death squads earlier this month by Fred C. Ikle, undersecretary of defense for po-licy. The U.S. State Department also issued a public statement condemning the upsurge in killings.

The squads generally target persons whom they suspect of leftist sympathies. Civilian officials are teams, which are held responsible to death squad activity.

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for most of the estimated 35,000 killings in El Salvador in the past

four years.

Mr. Pickering said the U.S. Embassy has shared its information about the death squads with the Salvadoran government. "There is information available

to many of us about some of the personalities involved," he said. "I am keenly aware that much of that information may not at present be sufficient for a court of law. My deep concern is that no one seems to be trying to develop evidence which would stand up in court." He added: "There is a now a

starting point. We are certain that these individuals are as well known to the security forces as they are to those of us who have been in the country only a short time. In fact, information has been recently published in the foreign press repeating much of what is aiready known about death-squad activities.

Recent U.S. news reports, based on comments of U.S. officials and Salvadoran sources, have identified four men as being involved with the assassination teams.

They are: Hector Antonio Regalado, security chief of the Constitu ent Assembly; Lieutenant Aristides Alfonso Márquez, intelligence chief of the National Police; Major José Ricardo Pozo, chief of the Colonel Mario Denis Morán, provincial army commander and former National Guard intelligence

Reports have also linked Roberto d'Aubuisson, president of the Benigno S. Aquino Jr., made little Constituent Assembly, to the death squads. A former army major, he is likely to be the presidential candidate of the far-right Nationalist Republican Alliance,

■ Salvadoran Army Shake-Up A major shake-up in the Salvadoran Army has affected some but not all of the suspected members of rightist death squads, United Press

International reported Sunday from San Salvador, quoting U.S. The army announced changes

that shifted commanders in nine of El Salvador's 14 provinces and installed new leaders of the country's States, stepped off a plane from three U.S.-trained battalions. Among officers affected by the lando Galman, a man identified by changes were two who have been the government as a professional

linked by the U.S. Embassy to sus- assassin with Communist associapected death squad activity, U.S. tions, was killed at the scene, and officials, who asked not to be iden-The officers they identified were

Colonel Marquez, who was transferred to the Defense Ministry, and Colonel Elmer González Araujo, commander in Sonsonate province, who was named deputy director of the Military Academy.

However, the U.S. officials said there had been no changes in the intelligence service of the Treasury Police, which embassy sources have believed to be intimidated by the said has some of the strongest links

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Corazón Aquino, right, at a rally on Sunday in Manila commemorating her husband. At left is Saturnina Galman, mother of the man officially accused of killing Benigno Aquino. At center is Lorenzo Tanada, an opposition leader.

# Aquino Inquiry in Manila José Ricardo Pozo, chief of the Treasury Police, and Lieutenant Is Said to Progress Slowly

sessions last Monday, took testimony from military officials, but the lawyer said the statements only added more discrepancies to a case already dominated by contradic-tory and unclear evidence.

The fact-finding board, headed by a retired appeals court judge, Corazon J. Agrava, had sought to draw a broad outline of what happened on Aug. 21.

On that day Mr. Aquino, return-ing to Manila after three years in voluntary exile in the United Taiwan and was shot to death. Rothe government said that he had killed Mr. Aquino. But there were immediate suspicions that the government had had a hand in the assassination.

In public sessions, the board of inquiry questioned the commanding general of the Aviation Security Command and four of his subordi-

The reported inconsistencies and ambiguities in the testimony of the military men led the board members, all private citizens, to question them in great detail, slowing the pace of the inquiry.
The murder of Mr. Aquino

touched off a political and economic crisis here. În Manila alone, businessmen, poor laborers, teachers and students staged separate pro-test rallies last week demanding the Custodio, commander of the Aviaresignation of President Ferdinand E. Marcos.

International reported.]

#### Tehran Sets Trial For Members of **Communist Party**

TEHRAN — Members of Iran's banned communist Tudeh Party, several of whom have confessed to spying for Moscow, will go on trial on Dec. 6, Iranian authorities said.

the office of the revolutionary pros- of Mr. Aquino, United Press Interecutor of the armed forces, appeared in a weekly newspaper. It said the accused were mem-bers of the "underground organiza-clashes. tion" of the Tudeh Party, but did not name them.

The party's secretary-general, 1.500 members were reported to be

The formal hearings began last MANILA - A five-member week after several days of sessions board of inquiry looking into the related to the death of Mr. slaying of the opposition leader, Aquino's purported assailant. No previous investigation of the opposition leader's death made headway because of public distrust of investigators who had been appointed by Mr. Marcos.

News accounts and photos of Mr. Galman, the alleged assassin, showed he wore an ill-litting blue shirt over denim pants that were unbuckled and unzipped. A government report claimed he had penetrated airport security by presenting the credentials of a member of the presidential security command. But some lawyers question how Mr. Galman could have breached security dressed in such a

The operations officer of the Aviation Security Command. Colonel Ager Ontog, told the board it was unlikely that his guards would have admitted such a suspicious-looking person. A total of 1.199 members of his command were on duty to secure the airport for Mr. Aquino's arrival.

Colonel Romeo Ochoco, deputy commander of the Aviation Security Command, testified on the medical preparations for an attack on Mr. Aquino. He said they "considered but did not decide to use" the facilities and personnel of medical stations at the international airport building or the Philippine Air Force compound. The mortally wounded Mr. Aquino was loaded into the special weapons team's van and driven to the army general hospital several minutes away. He was dead on arrival.

The highest-ranking officer to tion Security Command, said his men could have escorted Mr. [Protests, some violent, were Aquino through the normal route staged throughout the country Sun-day to mark the 51st anniversary of Mr. Aquino's birth, United Press decided to take him down the service stairs to the tarmac, where a van was waiting to take him to the air force headquarters.

General Custodio was asked by investigators why he did not board the plane to make the arrest there and thus enhance safety. The officer replied that it was necessary to transport Mr. Aquino to headquarters "as a courtesy to a VIP."

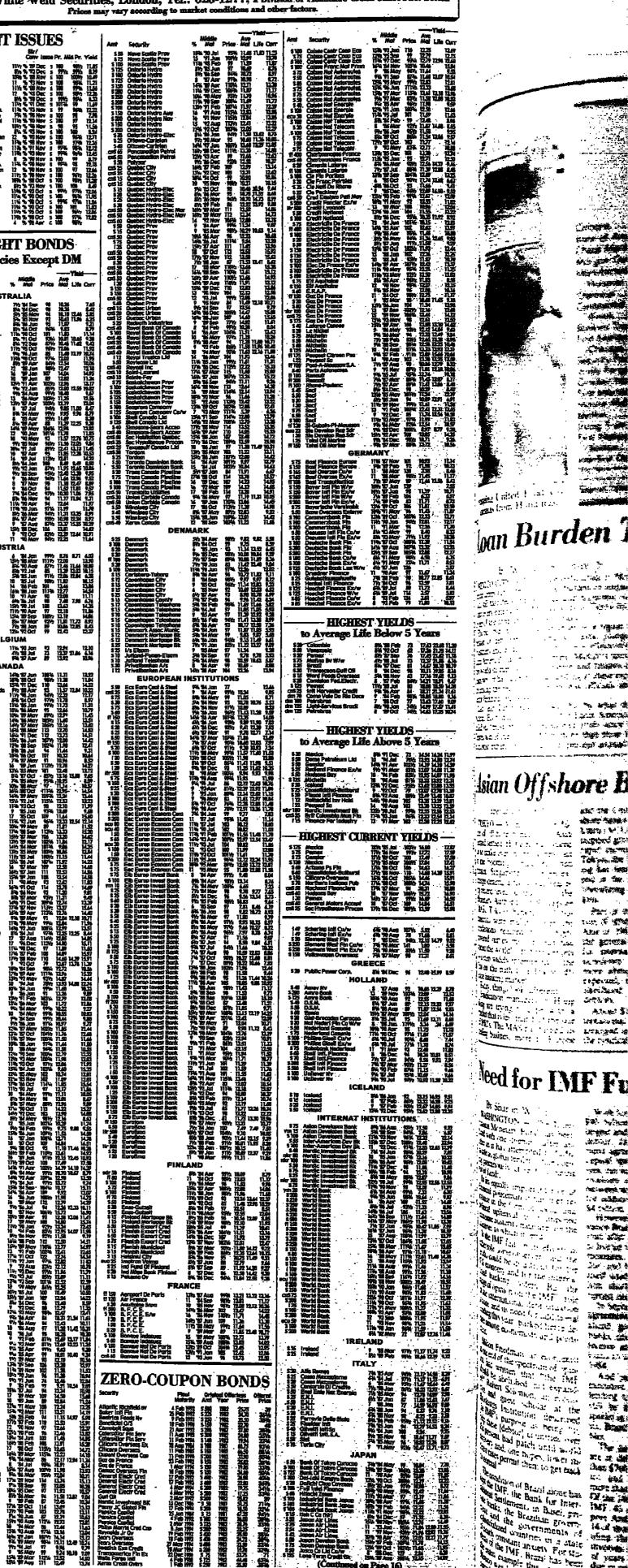
#### ■ Youths Riot in Manila Police and riot troops clashed in

Manila with hundreds of youths hurling stones and homemade bombs Sunday in a violent climax The announcement Saturday, by to railies marking the 51st birthday national reported. Police and hospital officials reported 17 people injured in at least three separate

More than 200,000 Filipinos held protests across the country Sunday. In the capital, a man car-Nureddin Kianuri, and more than rying a concealed knife was disarmed within feet of Mr. Aquino's

# International Bond Prices - Week of Nov. 24

Provided by White Weld Securities, London, Tel.: 623-1277; a Division of Financière Crédit Suisse-First Boston Prices may vary according to market conditions and other factors.



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# Loan Burden Threatens Latin American Stability

By William A. Orme Jr.

MEXICO CITY — While the debt criss in Mexico may appear temporarily resolved, the burden of unpaid foreign loans still threatens the political and economic stability of nearly every nation from Mexico City to Tierra del Fuego at the tip of the continent, analysts said.

The possible outcome of the crisis — a region-wide suspension of debt servicing and a drastic plunge in area investment and trade — would not only effectively paralyze Latin America's largest economies, Mexico's included, but also would disturbt world commerce and finance on a scale also would disrupt would commerce and finance on a scale unknown for half a century, according to these experts, who are among the region's top economic officials and public-sector financial analysts.

Last year, Latin America was hit by what the United Nations Economic Commission for Latin America (ECLA) called its "most profound economic crisis since the Great Depression of the 1930s." After more than three decades of circulating in offices of the finance ministries and central

gion's economic growth stopped abruptly in 1982. In every Latin American country, except Panama and Cuba, percapita income registered a real decline, dropping in many cases below the levels of a decade ago, and prospects for significant new growth suddenly seemed in most to be several years distant.

Catalyzing this painful turnaround, officials said, was the refusal of foreign bankers earlier this year to roll over the short-term loans they had automatically and even eagerly renewed in the past. While private lenders had funneled \$11.7 billion in new loans to the region in the first semeste of 1982, foreign commercial financing in the second half of the year collapsed to \$300 million.

"It started as a bankers' panic, not a genuine financial crisis," said a Latin American economic analyst, reflecting a common view in the region. But "the crisis is quite genuine now," he added.

banks throughout the region, simply cannot repay its \$300-billion debt unless lenders reschedule payments on much more generous terms and provide at least \$35 billion in fresh financing before 1986.

The alternative, the report said, is for the region's nations to adopt far stricter economic austerity measures, with "all the serious economic, social and political consequences that implies," or to "declare a unilateral [debt-servicing] moratorium, as the majority of them did in the 1930s."

The "Brazilian road show" of the president of the central bank, Alfonso Celso Pastore — a world-touring attempt to convince commercial, multilateral and Western government enders to give Brazil another \$9 billion by the end of next year - is encountering stiff resistance. Before forwarding their \$6.5-billion share, \$3 billion of which the Brazilians said they need immediately, commercial bankers are waiting to see if the IMF will renew the \$4.6-billion credit pact it

(Continued on Following Page)

# True Gravity of Debt Crisis May Only Now Be Visible

PARIS - Fifteen months is too long for any crisis - especially one in which no shots are fired - to

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remain a critical issue. Endless negotiation and renegotiation to contain the crisis bores the public and creates a sense of false security, even among the negotiators, that muddling through is an acceptable substitute for finding solu-

And so it is with the potentially catastrophic debt crisis of Latin America.

Despite the manifest complacency, a number of experts believe that the enormity of the debt problem is only about to surface — the result of the scarcity of international credit and the limits on countries such as Mexico and Brazil to suppress their foreign currency

requirements by wringing out imports.

The official view, as expressed by the International Monetary Fund, the World Bank, the Bank for International Settlements and their leading member governments, is that continued austerity in the debtor states coupled with somewhat faster world economic growth will keep the debt problem contained to man-

"It will be very difficult," one central banker said, "to get commercial banks to repeat next year the very modest 1983 performance of increasing their international exposure" to developing countries. "On the other hand, I'm inclined to think the U.S. business upswing will continue, and modestly spread to other OECD countries. If that happens, the financing needs

of the developing countries may decline more than "It's an open question which will be first: Will the slowdown in bank lending create very difficult condi-tions, or will the U.S. recovery produce a sharp im-provement in the situation of developing countries?"

But economists outside official policy circles decry the excessive optimism about developing countries being able to sustain a policy of austerity and about growth prospects in the industrialized world. And they lament the absence of what they call serious efforts to develop long-term solutions.

The measures of complacency are many. One is the value financial markets put on the securities of the most exposed commercial banks. When the crisis erupted following Mexico's unilateral declaration of a 90-day payments moratorium in August 1982, the rate of interest U.S. banks were forced to pay for one-month money shot up to 400 basis points over comparably dated U.S. Treasury securities.

Today, that margin is down to 50 points. A more meaningful measure of complacency is the official inaction to improve the economic environment. Everyone agrees that two conditions are abso-

within manageable proportions:

• Economic activity in the industrialized world must expand by at least 21/2 percent a year through 1986 and trade barriers must come down to provide hard-currency export earnings for the raw material and manufactured goods of the developing countries.

• And interest rates must decline. Lower rates are needed to both foster the economic recovery and to lessen the debt burden. Each percentage point decline in interest rates cuts an estimated \$3 billion off the debt burden. And each percent rise in economic growth among the 24 nations of the Organization for Economic Cooperation and Development is estimated

to equal a 5-percentage-point drop in interest rates.

Interest rates have declined. The London interbank offered rate (Libor), on which the bulk of the Third World's commercial debt is based, peaked at 13% percent in the weeks after Mexico's moratorium and subsequently fell to 8% percent. But Libor is currently

10 percent — and rising.

OECD economic growth, thanks to a strong advance in the United States, is rising at about a 3½percent annual rate — double the recession rate esti-

mated for the first six months of this year. But doubts persist about the durability of that growth because of the exceedingly large U.S. budget deficit, current and projected, and the impact that financing such shortfalls will have on U.S. interest

As noted, rates are already picking up. The dollar, after declining from its post-devaluation highs set in August, is again climbing and severely constricting the ability of other OECD countries to lower their interest

rates to fuel their economic growth. The size of the current-account deficit developing countries will have to finance hangs on the outcome of expansion in the industrialized world, the level of interest rates and the value of the dollar. The current account includes the trade balance and capital flows - of which the most important are payments of interest and principal to service their debt.

The current-account deficit of the nonoil developing countries peaked in 1981 at \$78 billion, with more than half — \$42 billion — financed by bank loans.

This year, the deficit is projected to total \$45 billion
— down from the \$51 billion estimated at mid-year
due to the slashing of imports by such countries as
Mexico and Brazil. The 1984 deficit is forecast to remain virtually unchanged at \$44 billion.

But bank loans are decreasing. Last year they accounted for 42 percent of the current-account deficit and this year they are projected to cover a little more than one-third. In addition, more than half of this (Continued on Following Page)

# Asian Offshore Banking: The Shakeout Continues

seemed settled. Hong Kong looked set to make even more money out ing record levels, urged on by the

shore banking market. Today, things look different. Syndication managers in Hong debtors. Kong are trying to cope with a market that is less than half the size ternational syndicated loans were ing to Eastern Europe, Latin Amerof 1982's. The MAS has turned its arranged in 1982. Hong Kong, as ica or Africa, because banks by and dealing business more to Europe the syndication center for Asia, had large are still happy to lend to

rapid increases in assets. And in

a step widely interpreted as the slowdown that has been much first on the path to a Tokyo off- more abrupt than many bankers

About \$145 billion worth of in-

Special to the IHT and the United States, and the offTOKYO — A year ago, the foure of offshore banking in Asia.

Units (ACUs) — in Singapore have
ture of offshore banking in Asia.

Stormed strowing after years of years

were signed in Hone Kone against stances, that those who do not about \$3.5 billion in Tokyo (the set to make even more money out. Tokyo, the idea of offshore bankof the booming syndicated loan ing has been elbowed back to the
market. Singapore's foreign-exchange dealing activity was reaching record levels, urged on by the
liberalizing Japan's financial marDuring the first 10 months of

During the first 10 months of Monetary Authority of Singapore (MAS). Tokyo's bankers and bureaucrats were multing over the tion of offshore banking activity in conclusions reached by a high-powered survey mission that had visited the world's offshore centers for international financing—a context wide with the survey of the standard that had been much less than the survey mission that had the general slowdown that has been much less than the survey of international finance than the survey of the standard than the survey much less than th slowdown that has been much have been less affected than their more abrupt than many bankers colleagues in the Enromarkets or in the United States. The supply of funds to Asian countries has not dried up to the same dramatic extent that it has in the case of lend-

need, get. Even so, less than \$10 billion in new syndicated funds has found its way to Asian countries this year, against about \$15 billion last year, and the flow of funds in the future is likely to be even more cautious because of the imminent renegotiation of the Philippines' debt and continued worries over Indonesia (hurt by falling oil prices) and South Korea (with a large outstanding debt to service).

The contraction in Asian-dollar finance has been matched by a similar slowdown in the provision of yen funds. Japan's banks were authorized by the Ministry of Finance to extend about 700 billion yen (\$3 billion) in new yen credits during

(Continued on Page 14)

# **Need for IMF Funding Brings Fierce Debate**

By Sharon Walsh WASHINGTON - The International Monetary Fund has been faced with one dilearma after another as it has attempted to fulfill its role as global lender, while coming precariously close to running

In its equally important role of financial policeman it has met re-sistance in the form of social and political upheaval as it imposed economic austerity measures on the countries to which it lends.

If the IMF fails in its efforts in either role, some observers said, the results could be disastrous for the U.S. economy and for the international banking system. But the range of opinion on the IMF's role in the international debt situation is wide, and its need for additional funding this year sparked fierce debate among economists and politi-

Milton Friedman, an economist at one end of the spectrum of opinion, has written that "the IMF should be abolished, not expanded." Robert Solomon, an economist and guest scholar at the Brookings Institution, described the IMF's purpose as being "to help these [debtor] countries over the present bad patch until world are in debt to the extent of more loans drawn from the banks' large

kept the IMF, the Bank for International Settlements in Basel, private banks, the Brazilian government and the governments of uling their debts, which usually increases in interest payments. This industrialized countries in a state involves spreading over a number situation was followed by disinfladents of the IMF, Brazil has been due in one year.

the main example this year — as Mexico was last — of the fund's fund committed more resources meant less demand for the exports of developing countries and increasing balance-of-payments deficentral role in helping to untangle than it had available, leaving it with cits. the international debt modele. a shortfall that was expected to be

receive an \$11-billion package of and alloted to members according loans to take it through the end of to their quotas in the fund.

recovery and, one hopes, lower inthan \$700 billion, with Brazil, Mexto normal."

than \$700 billion, with Brazil, Mexto and Argentina representing from oil-exporting countries.

After 1979, tighter monetary pol-The condition of Brazil alone has Of the 146 member countries of the icies in some of the major industrial of nearly constant anxiety. For sur- of years the payments that were tion in industrial countries, which

With foreign loans of more than about 6 billion special drawing \$90 billion, Brazil is the world's rights by the end of the year and

about \$1.048.)

The IMF, as one international vance Brazil the second part of the loan after the country was unable to live up to the economic ansterity measures. The bills kept coming due, and by mid-July Brazil found itself unable to repay a \$400-mil-live live in the second part of the itself unable to repay a \$400-mil-live live in the second part of the its articles of agreement, along with those of the life. In Section is the first live was equal to about \$1.048.)

The IMF, as one international rection the eventuality—and many economists say he is not—the IMF still must come up with the funds to meet the needs of its member nations in the short term and impose conditionality on its member borrowers. And both of those tasks are hampered by present economic and political concerns.

The IMF is a concerns was equal to about \$1.048.)

The IMF, as one international rection the eventuality—and many economists say he is not—the IMF still must come up with the funds to meet the needs of its member nations in the short term and impose conditionality on its member of rowers. And both of those tasks are hampered by present economic and political concerns.

The IMF is a concerns was equal to about \$1.048.) In September, the IMF forged an unlated in Bretton Woods, New agreement with Brazil and industri-alized governments and private ing to the charter, were to be debanks under which Brazil would rived from members' subscriptions

Economists trace the problems And just on Nov.22 the IMF straining the IMF's resources to the executive board voted to resume first oil shock in 1973. After the oil lending to Brazil. While it could shock, the current-account deficits ments to Borrow. still be the prime contender for of countries not producing oil rose spoiler in the international debt cri-sis, Brazil is not alone in its trou-of \$100 billion in 1981. Commercial banks at that time made low-The developing countries alone cost loans to developing countries,

There are those who say the se-

over. U.S. Treasury Secretary Donsyo billion, Brazil is the world's rights by the end of the year and largest and, perhaps, most troubled causing it to request that member and the Born In February, its government agreed with the IMF to contries increase their quotas meeting of the IMF and the World meeting of the IMF and the World meeting of the IMF and the "global recession is over" and that the "global recession is over" and that the modities and disengage the link between wages and prices in return for additional loans of more than \$\frac{1}{2}\$ the SDR was equal to about \$1.048.)

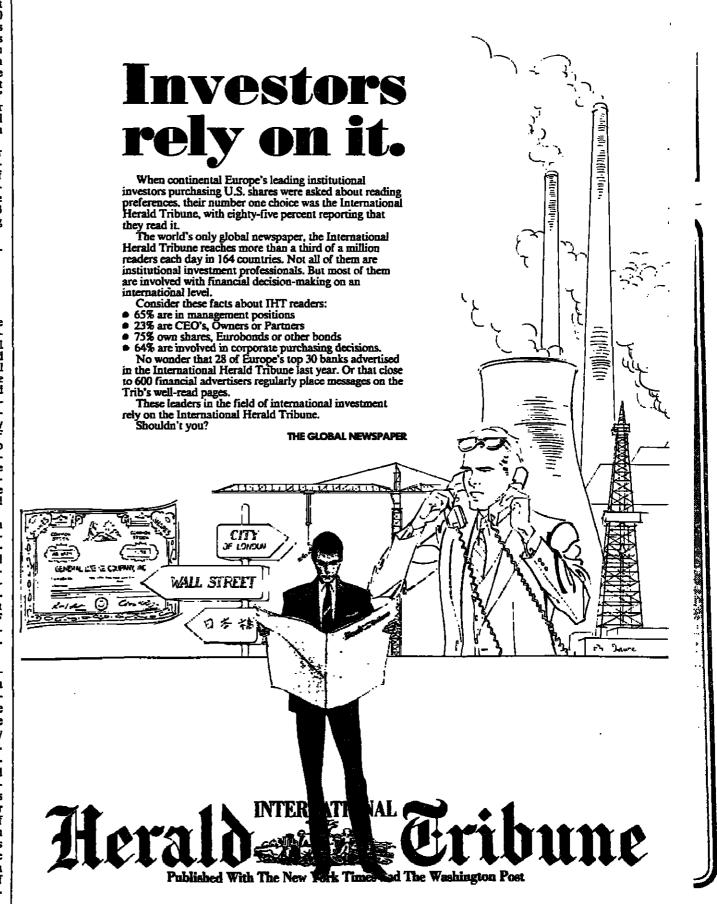
The IMF as one international source U.S. Treasury Secretary Donald Treasury Secreta

> speech to the IMF delegates in Sep-tember, called the IMF the "linchpin of the international financial system" and urged the U.S. Congress to pass legislation appropriating \$8.4 billion for the fund, a onetime increase that is the U.S. part of a \$33-billion addition to IMF quotas and an \$18.5-billion increase in the fund's General Agree-

> But as the IMF's Nov. 30 deadline for ratification of the quota increases by member nations approached, political delays in the U.S. contribution meant that the IMF was running out of money and the U.S. Congress out of time.

> Despite Mr. Reagan's strong endorsement of the legislation, it had stumbled over two instances of partisan politics. The first issue was the request by House Speaker Thomas P. O'Neili Jr., Democrat of Massachusetts, for a letter from President Reagan to Democrats who supported the legislation. The request came after a Republican group accused the Democrats of voting for aid to communist coun-

(Communed on Page 9)





Jacques de Larosière, managing director of the IMF.

Exposure of U.S. Banks in Eastern Europe And Nonoil Developing Countries, Relative to Capital (Percentage, End Year)

All Banks	1977	1978	1979	1980	1981	1982	(millions of doilars)
Eastern Europe Nonoil Less Developed	16.7	15.8	16.1	13.9	12.9	8.9	6,278
Countries	114.9	114.4	124.2	132.3	148.3	146.1	103,181
TOTAL	131.6	130.2	140.3	146.2	163.5	155.0	109,459
Mexico	27.4	23.4	23.0	27.6	34.3	34.5	24,377
Br <del>oz</del> il	29.4	28.6	27.3	25.4	26.9	28.9	20,438
Nine Largest Banks:							•
Eastern Europe Nonoil Less Developed	25.0	23.5	23.9	21.8	19.5	13.9	4,045
Countries	163.2	166.8	182.1	199.3	220.6	221.2	64,149
TOTAL	188.2	190.3	206.0	221.1	240.1	235.2	68,194
Mexico	32.9	30.4	29.6	37.8	44.4	44.4	12,262
Brazil	41.9	42.4	40.3	39.3	40.8	45.8	13,296

Ouito conference.

This "unprecedented" situation

has not only hurt intraregional

trade, but has complicated bilateral

financial arrangements in the re-

gion, Mr. Rivera said. "Bolivia says

it cannot pay its debt because it

hasn't received money it is owed by

Argentina, and Argentina says it

cannot pay Bolivia or anybody else," he added. Similarly, Costa

Rica, with the region's biggest per-

capita foreign debt, has pointed to

Nicaragua's failure to pay for Cos-

ta Rican products as a major factor

in its own inability to make pay-

became the latest country to com-

plain that it must either reject IMF

budget-cutting guidelines and run

But small countries such as Cos-

Much more significant, they feel.

Earlier this month, Costa Rica

# Loan Burden Threatens Latin American Stability

suspended for reasons of noncompliance last May. The report, prepared at the request of President Osvaldo Hurtado of Ecuador. marks a departure from the noreconomic studies. But more significant than the document's unusually frank language is its purpose — the report is being used as a working paper for a planned meeting of Latin America's heads of state that President Hurtado and others hope will culminate in a joint demand for a renegotiation on more favorable terms of the region's foreign Quietly backed by Mexico and Venezuela as well as Ecuador, the conference could represent the first

time that Latin America's governments "address the debt question nations as well." head-on," said an economist acting "Until now, in forums like the annual World Bank and Interamerican Development Bank meetings, the debt problem has been broached only cautiously," he said. "But it is increasingly clear that these countries cannot pay and that тоге. continued zero growth is not a via-

politically. The most recent planning session for the meeting was held without publicity in San José, Costa Rica. in early November, and the conference is now tentatively scheduled debt restructuring and dictated

ble option, either economically or

economist for ECLA's Mexico-

But the implicit threat remains. because, as a Mexico-based financial analyst put it, "the possibility of a debtors' cartel is the only real bargaining leverage this region has." The ECLA report, while saymoratorium, noted pointedly that such a move would be "profoundly prejudicial to the international fican countries, but by the developed and industrial growth."

To avert the possibility of a moratorium, the report continued. banks should grant Latin America several years relief from most interest payments, and rescheduling of ken and influential Latin American both interest and principal should be stretched out over a decade or

Some analysis see the Hurtado growth." initiative as just the latest symptom sentment against private foreign banks and, even more, the Interna-tional Monetary Fund, which has growth?"

through exports and economic the IMF's policies, analysts said.

Much more significant, they feel. supervised the region's ongoing

won't get near anything that re-motely resembles a debtors' car-region bound by these strictures, support," said Fernando Rivera. tel," said Gert Rosental, chief and world commerce still in the assistant director of the Latin grip of recession, there are few customers for new export goods.

Everywhere in the region, the panorama of an economy under the IMF regimen looks essentially the same, with the gross domestic product and real wages falling, unemployment and domestic interest ing that Latin America has demon-strated its "determination to avoid the escape route" of a payments unprecedented inability to afford imports. "The net effect," said Rene Villareal, Mexico's deputy nancial system," with the impact minister of commerce and indus-being felt "not just by Latin Amerity," is to constrict both commerce

Mr. Villareal, who since completing his doctoral work under Nobel prize-winning economist James Tobin of Yale, has emerged critics, said that the fund must change its criteria to encourage 'economic adjustment with

cial agitation.' "I don't see any other alternative of the growing Latin American re- for this region," he said. "How are we going to repay the debt if not ta Rica lack the clout to influence

Yet the IMF's budget-slashing will be the inevitable next round of precepts remain unaltered, and the Brazil's negotiations with the IMF for mid-January in Quito, Ecuador, strict budget-cutting measures as a number of area countries apart and its private creditors. Unable to sources said. Planners insist that conference members will not even continually voiced complaint is creases monthly. "The majority of gets and politically reluctant to

contemplate calling for an immedithat the IMF's fiscal formula calls the Latin American nations are heed its wage policy advice. Brazil ate payments moratorium. "Mexi- for a reduction of imports coupled now involved in some way with the last May had its IMF loan afgree-

American Institute for Monetary Studies, which is also acting as an adviser to the organizers of the justment" program for 1984.

scheduling terms than those granted fiscally obedient Mexico.

And in neighboring Argentina the newly elected president, Raul Alfonsin, surprised his country's creditors by bitterly denouncing the "restricive prescriptions" of the IMF and the "usurious" demands of the foreign banks. "They can't expect to have the debt paid back if they are going to close our export markets." Mr. Alfonsin said on the night of his election.

As a corollary to the region's near-universal entanglement with and to not repudiate their debt. the IMF, almost every Latin Amerthe "disastrous risk" of losing its ican country is also wrestling with IMF financing or accept the fund's an unwieldy creditors committee. demands and "confront rising so- often composed of representatives of 400 foreign banks or more, attempting to postpone short-term principal obligations and obtain new loans destined largely for principal payments. In the last month alone, Ecuador concluded a \$1.4billion rescheduling arrangement, Peru met with lenders to reshape an earlier \$830-million debt-restructuring plan and Chile obtained a 90-month extension on its morato-rium on principal while continuing

at high rates of interest].

"As a result, the former three less fortunate coun-

Now, after intense IMF pressure, Brazil won a renewal of the loan pact - and fresh money commitments from most major private creditors by agreeing to restrict sal-ary hikes below inflation levels and by designing a new "economic ad-

able banking problems.

True Gravity of Debt Crisis May Only Now Be Visible

year's bank financing was "involuntary" in that the IMF made its own lending conditional on the banks

Statistics provided by the BIS, meanwhile, show that voluntary lending by commercial banks is at a near standstill. All of the small increase recorded in the second quarter went to nonoil developing countries outside Latin America. However, Asia, which had retained its image of prosperity and relative sound financing, is also being pulled into the whirlpool of doubt, with the Philippines now in the process of

Despite all the signs that banks are reluctant to go on lending, official forecasts project that commercial bank loans next year will cover almost half the foreign-financing requirement of the nonoil developing countries. Bank loans are projected to rise to \$21 billion from this year's expected \$17 billion.

Estimates of the developing countries' current-account deficit assume that those governments can maintain austerity programs that have cut imports to below the bare minimum. The growth needed to provide jobs and avert social chaos is to come from increased exports.

ate payments moratorium. "Mexico and the other big countries with an increase in nontraditional IMF, and there is a tendency for ment suddenly suspended, interco and the other big countries with an increase in nontraditional IMF, and there is a tendency for ment suddenly suspended, interco and the other big countries with an increase in nontraditional IMF, and there is a tendency for ment suddenly suspended, interco and the other big countries with an increase in nontraditional imports coupled in the needed lift, it is
considered to the still more nations to request IMF. But if planners have got their numbers wrong, and

> Direct investment, which the Reagan administration insists is the logical source of development finance despite the recipient countries' long-standing hostility to that source of money, is now projected to total \$8 billion this year and \$9 billion next year. This is \$1 billion less than official agencies had been projecting in July.

> The IMF, which years ago was superseded by the Euromarket as the main supplier of current-account financing for developing countries, will be hard put to pick up more slack than it is already doing.

> Even with its 45 percent quota increase (lending ability) the IMF already expects it will have to borrow an additional \$8 billion to \$10 billion between mid-1984 to 1986 to finance members in financial distress. If the debt situation fails to improve along the lines officially forecast, the IMF will be pressed to seek

The real danger is that adequate financing for the developing countries will not be available — eli ing the incentive for those countries to comply with IMF prescriptions to reform their domestic economies

Larry A. Sjaastad, an economist at the University of ican country is also wrestling with Chicago and the Graduate Institute of International Studies in Geneva, describes the situation this way:

"The debt situation of Argentina, Brazil and Mexico is quite similar to that of the U.S. government. As a fraction of their respective gross domestic products, public-sector debt in all four countries is about the same — one-third. Moreover, gross borrowings by all four governments have, for several years, exceeded current interest on their debts; in effect, no surpluses have been needed to pay interest. "The important difference, however, is that Argen-

tina, Mexico and Brazil can no longer borrow to pay that interest, whereas the U.S. government can [albeit

tries must increase their saving by an amount suffi-cient to pay that interest. Indeed, the problem that From a world financial view-they face is similar to the one that would confront the point, however, these smaller econ-U.S. Congress if it were compelled to turn the current

"The sheer inability of that Congress to control its

the probable future performance of the governments of Argentina, Brazil, Mexico and others. To expect a political feat in those countries that appears impossible for the United States is unrealistic to say the least

"But if they fail to produce that miracle [assuming that the banks do not resume lending to them), de facto default on a large scale is inevitable." Chances are slim that commercial banks, which are already overcommitted, will voluntarily step up their

produce oil total 146 percent of the capital of U.S. banks. The nine largest U.S. banks alone have loans outstanding amounting to 221 percent of their capital. percent of the total assets of the nine banks. Nevertheless, repudiation or default by just Brazil could wipe out 78 percent of the capital base of Manufacturers

lending. Loans to the developing countries that do not

Hanover Trust and 74 percent of Citibank's. The major North American, European, Mideast and Japanese banks have continued to provide modest amounts of new money — under pressure from the IMF, But those exercises become increasingly difficult -as more bankers worry about threwing good money after bad loans - and are an madequate substitute for what the borrowers need.

The need is large and, it should be pointed out, mostly due to economic fluctuations outside the control of any of the borrowers. In his study "International Debt and the Stability of the World Economy," William R. Cline, a senior fellow at the Washington-based Institute for International Economics, said that the external debt of the developing countries that do not produce oil increased \$482 billion between 1973-82 to a total of \$612 billion.

But he estimates that \$260 billion of the increase can be attributed to the increase in oil prices since 1974. A further \$41 billion resulted from the sharp rise in dollar interest rates in 1981-1982, another \$21 billion from lost export volume due to the worldwide recession, and \$79 billion to the drop in commodity prices and other terms of trade.

Thus, he estimates \$401 billion of the \$482-billion increase may be attributed to the impact of events over which the debtors had no control.

Financing those needs were relatively easy - and cheap—in the days up to mid-1982 when international bank lending, viewed as virtually riskless, was expanding at annual rates of up to 25 percent.

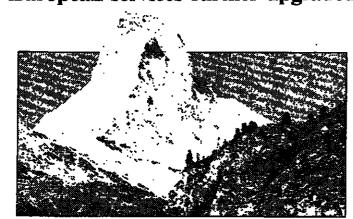
The challenge today is to find how to enable banks to resume lending but at the same time establishing a framework that will prevent repetition of some of the worst excesses of the years of overcompetitive

One suggestion, by Nicolas Krul, economist and eneral manager of Gulf & Occidental Investment Co. in Geneva, is to use the IMF as a "countercyclical strument of international credit management .... mobilizing bank credit in times of stress."

He would have the IMF borrow in the international capital markets to assure the availability of adequate financing. Banks would gladly lend to the IMF, but obviously at very fine terms given the backing of that institution. Once confidence was restored, bankers would resume lending directly to the countries since the rates they would pay to borrow would be signifi-cantly higher — and more profitable to the banks than what the IMF paid.

Borrowing in the market would only temporarily increase the resources of the IMF, in fine with U.S. objections to see a permanent large increase in the fund's resources. However, both the United States and West Germany object to the IMF's tapping the public

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# World Organizations Study Insurance Programs

PARIS - One sure way to turn the Third World's debt clear that seeking repayment in the midst of a recession is crisis into a financial catastrophe for the world is to push the major debtor states into repudiating their loans. That would bankrupt the major banks of North America, Western Encrope and Japan, which would be left holding worthless paper far exceeding their own capital.

At present, the incentive for debtors to walk away from

their obligations is increasing.
One set of figures tells the story. Last year, net new

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borrowing by the nonoil developing countries totaled \$57.4 funds. billion. But interest payments totaled \$59.2 billion. In previous years, the situation was reversed. In 1981, for example, new borrowing totaled \$81 billion against interest payments of \$55 billion.

William R. Cline, an economist and senior fellow at the Washington-based Institute for International Economics, calls this "an underlying structural voluerability in interna-

tional lending."
"If a judgment is made solely on the basis of simple comparison of the interest burden against net new loans

received, the developing countries have little incentive to continue honoring debt-servicing obligations," he said.

In short, "if they defaulted, their losses in net new loans forgone would approximately equal their gains in interest relief."

To be sure, there would be other costs as well - the risk of being isolated economically from the rest of the world. But the point he makes illustrates why the scarcity of loans is such a critical issue.

It is perhaps worth mentioning that development histori-cally is financed with foreign capital, as amply demonstrated by the financial history of the United States. What distinguishes the current situation is the overwhelming reliance on loans to finance development rather than foreign invest-

ment, which by its nature is risk capital.

In any event, putting aside questions about whether governments ever repay debt or just continually roll it over, it is

But bank lending is contracting and the trickle of cash flowing to the most hard-pressed countries is due to the arm twisting of the International Monetary Fund, which has tied the availability of its own credits to continuing support from

Thus, the international organizations - with the World Bank in the lead - are exploring ways to increase the flow of

One question under study is whether flows could be substantially augmented if better insurance were available. National plans already exist in virtually all industrialized inties to insure investments and next month the board of the World Bank is expected to decide whether a new multi-lateral plan could improve the investment climate and generate greater flows.

Given the preponderance of bank loans in financial flows to developing countries, the World Bank plan, if approved, would have to include loans. Up to now, the national programs have insured only direct investments against expropriation and war, but that coverage is both limited and

The main risk today is so-called transfer risk, or the inability of sovereign governments to meet the foreign cur-rency requirements to service their debt.

Ibrahim F.I. Shihata, vice president and general counsel of the World Bank, stresses that many basic questions — such as whether to include medium- and long-term loans in any new plan - remain. Among the others are how such a multilateral plan would be funded and whether it would need to be an independent agency or part of the World Bank. · Mr. Shihata rejected suggestions that such widened insurance coverage might indice recipient countries to be less cautious and that it might, in effect, reward countries mistreating foreign investors or lenders.

"If that were a good argument, there would be no insurance in the world," he said in a telephone interview. Assuming the board approves the insurance concept another major question is how such a plan would be funded.

Mr. Shihata said it could be financed by the country of the investors, the investors themselves, the host countries or a

Meanwhile, Henry Wallich, a governor of the Federal Reserve Board, believes that banks themselves should conider setting up an insurance pool. Given the high margins of percent or more over Libor that banks are charging to eschedule loans and the criticism this is stirring. Mr. Wallich thinks banks would be well advised to use part or all of this margin as payment into an insurance pool.

He suggests that banks making "constructive" use of the margin might be able to protect themselves against pressures from borrowers to lower the lending terms.

His suggestion, at a recent meeting of the Group of 30, is that all new loans be put into a pool. No individual loan would be insured, only limited losses

If half the 2-percent premium were set aside as insurance remium, the plan might offer 1 percent insurance coverage the first year, 2 percent the second year and growing each

The object would be to insure about 75 percent of loan ool, with the other 25 percent exposure borne only by the banks as an incentive for them to remain prudent.

acknowledges there are many technical obstacles to overcome such as who would administer such a pool. Even more basic, there would have to be agreement of all participants about when a sovereign loan is a loss. Is it when

While he thinks such a plan is a "sensible idea," he

debt service payments are halted? Or only when a loan has been repudiated?

- CARL GEWIRTZ

# **True Gravity of World Debt Crisis**

#### (Continued From Preceding Page)

tries objecting to the implied loss of control over the agency once it can fund itself independently. The Bundesbank, in its September monthly report, said: "The cooperative nature of the IMF could suffer lasting damage and the precarious balance of rights and duties among its members be seriously upset if the fund were no longer dependent for its refinancing on countries in strong

reserve and balance-of-payments positions." Some experts, such as Alexandre Swoboda, director of the Geneva-based International Center for Monetary and Banking Studies, said there is no chance of resolving the financial crisis of the developing countries as long as banks pretend they will incur no losses as a result of their overlending.

Mr. Swoboda believes much of the investments made with the borrowed funds "have gone sour, or the collateral is not worth what people thought it would be worth — partly because of the higher level of real interest rates, partly because of the fall in the terms of trade of the developing countries, partly because of the recession, partly because of mismanagement in a number of the developing countries and partly because some people have just made off with the money [capital flight]." Mr. Swoboda said that when this happens to

domestic loans to corporate clients, the borrower goes bankrupt, or sells off assets and slims down, or agrees with its lenders to share the costs to restructure the debt (sometimes with the government stepping in, as in the case of Chrysler).

But in the current international context, the entire cost of the devalued asset is being borne by developing countries. He does not argue that they

should not have to pay it — after all, they did borrow it. But he does insist they cannot afford to and at some point banks will have to admit this. "Rescheduling at rates that value the assets as

unchanged cannot go on forever." he said. The problem, he said, is deciding how to apportion the losses "without giving distorted incentives to banks to lend too much and without creating the sort of panic where [bank] lending evaporates. Both Mr. Swoboda and Mr. Krul also argue that the banks' existing portfolio of Third World debt needs to be made liquid — much like other assets

Banks may hold enormous positions in domestic bonds, for example, which could drop sharply in value if interest rates rise. In that case, banks do not pull out of the bond market waiting for a recovery in prices but write down their losses and upgrade their portfolio by moving into the new,

gher yielding issues. Mr. Krul said: "The main systemic problem facing the international financial markets stems ... from the excessive substitution of classic security borrowing by bank credits — a form of financing

ing mechanism, to be reverted to in times of stress could be conceived so as to discount bank debt and other public or private liabilities of developing countries at market-related terms against the issuance of certificates [by the World Bank or the IMF], which, in turn, would be discountable at central banks. . .

The mere existence of such a facility, he said, "might encourage increased private credit flows and longer maturities."

# **Need for IMF Funding Brings Fierce Debate**

(Continued From Page 7) tries. The Democrats had voted against an amendment to the IMFbill that would have stopped IMF funds from going to communist

After Mr. Reagan yielded to the pressure and expressed his appreci-ation in a letter to the Democrats, a second issue held up the bill. Representative Fernand St. Germani, Democrat of Rhode Island and chairman of the House Banking Committee, refused to move the House version of the bill along until the administration withdrew its opposition to a housing bill that he

supported.
The final compromise bill, approved by Congress only hours before it adjourned, included require ments that U.S. banks set aside special loan loss reserves when foreign borrowers fall behind on payments and that banking regulators

monitor those loans more closely.

(Because of the delays in Congress, administration sources and economists suspected that other IMF member countries hung back from agreeing to their quota increases, waiting to be assured of the compromise measure.

U.S. contribution. fund did not guarantee that the drances to the process.

No one denies that banks could mism, economic analysis

developing countries, leaving them to rely on private banks for a large percentage of their other borrowing

needs.

If Brazil declared a moraterium, meaning a specified time for which it would not make debt payments, one-half of the reported profits of the nine largest U.S. banks would be eliminated, according to William R. Cline, senior fellow at the Institute for International Economics in Washington. That would receivable ways on the banks he the nine largest U.S. banks would be eliminated, according to William R. Cline, senior fellow at the Institute for International Economics in Washington. That would precipitate runs on the banks, he said. "It would not, in most cases, exhaust profits and eat into capital, but it would be a severeblow to the economy."

While, in Mr. Cline's opinion,

there is considerably less than a 50-percent chance that Brazil will declare a moratorium on its debt, economists differ widely on the question. Some say a moratorium is inevitable," while others rate it

"highly unlikely."

With its agreement to resume leading to Brazil, the IMF signaled its approval of the country's plan to lower inflation, cut its deficit and increase exports. The austerity program the fund demands as a condition for its loans makes it unique among international financial in

Brazil has had trouble living up to the IMF's conditions in the past. When Brazilian workers held strikes in São Paulo earlier in the year protesting unemployment and the deindexation of wages. Brazil began stalling on the IMF's conditions. Only after several attempts to pass legislation to deindex wages, including one during which President João Baptista Figueiredo declared a limited state of einergents of particular and proportion of the concy to "avoid mmult during the congressional vote," was the Brazilian Congress successful in passing a

Harry Taylor, president of Man-The congressional deadlock also ufacturers Hanover Trust, said at a funding time to repeat their argu-ments that it was a bailout for should be completed by the end of for both Brazil and Argentina that the one-time addition to the tions in Argentina removed him-

No one denies that banks could take a beating should any of the debtor countries decide to delay or default on their debt payments.

While the IMF made record amounts available for borrowing this year, it was still only 20 percent of the current-account deficits of develoring countries beginning that the economic austerity measures required of Brazil for the loan will only serve to push Brazil deeper into debt.

The consequences of the fund's so called "conditionality," opponents said, are counterproductive because restraints on imports mean that the country cannot get vital parts needed for goods it exports, therefore slowing economic

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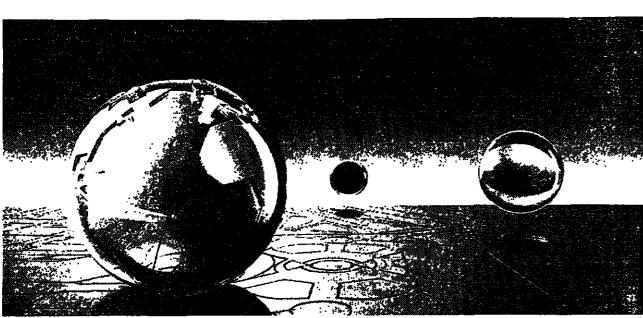
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# - Revenue Dr Fears That Economic Expansion Will Be Shortlived By Randell E. Moore consumers who had delawed are

WASHINGTON - While the United States, and to a lesser extent its major European trading partchange in U.S. fiscal policy to reduce projected budget delicits exceeding \$200 billion have all but disappeared. As a result, there are pansion, both in the United States

conomic adviser, Martin Feldstein, has warned that unless Congress acts soon to reduce these deficits, it runs the risk of plunging the U.S. economy back into recession. European leaders, painfully aware of the effects of these deficits on their economies, have urged U.S.

However, there is little evidence that America's politicians are willing to risk the wrath of voters prior to next year's elections by raising taxes or cutting spending to bring the deficits down.

A recent attempt by Senator Robert J. Dole, Republican of ansas and chairman of the Senate package containing a combination of tax hikes and spending cuts to-taling about \$150 billion over three years drew little congressional support and the threat of a presidential

Internal bickering within the Reagan administration over the size and effects of the budget deficits has compounded the problem of those who advocate immediate

At the heart of the problem are projections by the Congressional Budget Office, private forecasters and the administration's own Council of Economic Advisers that U.S. budget deficits in 1984 through 1988 will exceed \$200 biltion each year. Combined with the \$195-billion deficit registered in fiscal 1983, these deficits would esult in almost a doubling of the national debt by 1988. Interest payments alone to service such a m sive debt would amount to \$80 bilion. CEA economists estimate.

The prospects for record-setting deficits have not been completely lost on Congress. The recent battle over a congressional increase in the current national debt ceiling of \$1.389 trillion, which left credit markets nervous and the government near technical bankruptcy, reflected the anguish of those who advocate some kind of action to reduce the deficits. However, it should be noted that many of the same legislators who refused to fight an increase in taxes or cuts in eficits. Therein lies the dilemma. ither action is considered political nicide in an election year, 1984 eing no exception.

Politics aside, however, the negaive ramifications of these deficits both domestic and internation-

A substantial portion of the curent U.S. recovery is due to large ncreases in consumer spending.

and declines in unemployment,

consumers who had delayed pur-chases of major durable goods such billion in 1983, climbing to \$100 by the news that the U.S. unem-as automobiles went on a buying billion in 1984. Emblematic of this ployment rate in October fell a full as a result. Auto sales alone jumped deficit. from an annual rate of 7.8 million in ac from an annual rate of 7.8 million In addition, high U.S. interest units in the third quarter of 1982 to rates have attracted funds from Eu-9.3 million during the corresponding 1983 period. The housing inwith new housing starts at an annualized rate of 1.79 million units during the third quarter, the lowest

ing the third quarter. While economic growth appears to be slowing somewhat in the early days of the fourth quarter, it re-mains strong enough in the minds sion into at least the first few quar-ters of 1984. However, beyond that point, analysts worry that the large budget deficits will begin to play an

It was only marginally higher dur-

To sustain the economic expansion, slowing personal consumption must be supplemented by in-creased capital spending by industry, analysts said. Persistently large budget deficits may prevent this, economists noted.

Mr. Feldstein, among others, said that unless the deficits are reduced, and soon, a clash between the borrowing needs of business and government will result. The effects: a crowding out of available funds for business and higher real interest rates. Businesses will not only have to scramble to find funds for new plant and equipment expenditures, but also will invest only where the expected returns profitably exceed the high cost of needed

The primary economic effect of persistent budget deficits is to ab-sorb savings, reducing the long-term growth rate of capital formation and, therefore, the rate of real economic growth," Mr. Feldstein told the Joint Economic Committee in Congress.

The near-term deficits [those in goods and services, he said.

However, the prospect of massive deficits in future years "weakens the pace of the recovery now" cording to Mr. Feldstein. Those current recovery. First, high real interest rates

have played a major role in propelsame legislators who refused to support the increase are the first to fight an increase in taxes or cuts in more than 40 percent in real terms from the fourth quarter of 1980 to Mr. Feldstein and Mr. Re Henry Wallich, a member of the Federal Reserve Board, said in a recent speech, that as a result, U.S. firms have found it increasingly difficult to sell their goods abroad. A strong dollar also has made imported goods less expensive, relative to their U.S. counterparts. Combined, the consequence is a

spree this spring. Personal con- problem, America's national trade sumption expenditures during the surplus with the European Comsecond quarter of 1983 rose at a munity disappeared during the fist robust annual rate of 15.1 percent nine months of 1983, becoming a

amount of available funds needed dustry also experienced a boom, for capital spending to fuel a sus-with new housing starts at an anpansion. To curtail this outflow of since the days of the Korean War. complain that they have been forced to keep their own interest rates high, a further drag on their

struggling economies.
Secondly, the current high level of interest rates "is no doubt also causing the demand for housing, for some consumer durables, and for some plant and equipment to be lower now than it otherwise would

tions, key players within the Rea-gan administration remain unconvinced of his argument. Most notable among them is Treasury Secretary Donald Regan, Unlike Mr. Feldstein, Mr. Regan believes that the deficits are not a key factor in keeping interest rates high and that, in any case, the deficit is primarily "cyclical" in nature and will shrink as the recovery continues. Recently, Mr. Regan was quoted as saying that the recovery would reduce the deficit to between \$100 billion to \$125 billion in 1985.

To further reduce deficits, Mr. Regan advocated additional large cuts in federal outlays, primarily in social programs, and a "contingercy tax" increase that would take effect in 1985 if deficits still exceeded some fixed proportion of gross national product. Such a "contin-gency tax" was proposed by the Reagan administration in its January budget proposal but won little support on Capitol Hill, the seat of the U.S. Congress, and is not being aggressively pushed by the adminstration now

While Mr. Feldstein agrees with 1983 and 1984] probably have a Mr. Regan that part of the deficit is er equally large part is structural in nature. Mr. Feldstein said. This structural deficit is represented by the difference between federal revthe recession's effects are past and current high rates have had at least the economy has returned to full two negative repercussions on the employment. Based on CEA estimates, future federal spending will grow faster than the future rise in tax revenues, leaving deficits in the \$200-billion range even at full em-

September of 1983 against a came so acute at one time that the weighted average of the currencies White House instituted a review of other major industrial countries. process under which both men were forced to submit their speeches to administration officials. In fact, Mr.Feldstein's intransi-

gence on the need for tax increases has led to speculation that White House insiders would not be unhappy if he chose to leave the

Any hope that Mr. Feldstein's U.S. merchandise trade deficit that arguments might at last gain favor

0.5 percent to 8.7 percent, its lowest level in 20 months. Administration

peak of 10.8 percent in January. tions stung by the strength of the dent on budget deficits. Citing Mr. that satisfy those in their own ranks, much less enough Republi-Democrats have advocated cuts in

within and between parties, comelections. Even then, congressional action on budget deficits probably will have to wait until the spring of 1985 to take into account the elec-

from Congress or the administra tion, experts warn that the Federal Reserve will once again be stuck with the delicate task of keeping the recovery alive. In general, econof historically high real interest

However, to keep expansion. alive, many said that the Fed may be tempted to allow a more rapid

ironically, fear on the part of financial markets that the Fed will

Paul A. Voicker, the chairman of the Federal Reserve Board, repeatedly has stated that monetary expansion to help finance large budget deficits is "basically unwarranted" However, financial

Currently, money supply growth remains within the Fed's target ranges. So, too, is inflation. How

Rapid deregulation of the U.S. monetary growth. In addition, few expect inflation to remain at its current low levels. As a result, the Fed's task is made even more diffi-

The only certainty, if any exists in the face of these problems, was probably best summed up by Mr. Feidstein's recent remarks before a congressional panel on the need for action on budget deficits. "Every year gets riskier and riskier," he

# U.S. Banking Deregulation: **Answer to Enduring Crisis?**

By Craig Stock PHILADELPHIA — Not since the Great Depression in the 1930s has the banking industry in the United States seen the turmoil it

Bank failures occurred at the fastest pace since the 1930s. The U.S. comptroller of the currency, C. Todd Conover, predicts that the number of bank failures would reach 50 by the end of this year. Among the 43 banks that had failed through October was the First National Bank of Midland (Texas), was the second largest bank ever to collapse in the United States.

A record number of other banks more than 600 - were financialweak enough to make the regulators' "problem bank" list, indicating that regulators think the banks could fail without quick corrective

An international debt crisis shook confidence in the nation's largest banks, which, because of the frantic action of the IMF, were able to avoid the devastating step of classifying billions of dollars in overseas loans as delinquent. By, ending more money to nations that could not repay old loans, the banks were able to collect loan fees and show income instead of loan

But the development during the year with the most lasting effect on the industry was the continued assault on the laws and regulations that have governed banking in the United States for the last half century. U.S. banks operate under what are among the tightest restrictions in all the major industrialized nations. Leading the assault on those restrictions have been the bankers themselves, particularly large "money center" banks that are clamoring for a full-scale,

sweeping deregulation of banking. Bankers have been pushing the

Despite rapid advances in technology that allow banking transactions to be done electronically any-where on the globe in seconds, most U.S. banks are not allowed to take deposits from customers in they must expand their opportunilenge of nonbanking financial sercompanies and brokerage houses especially — that have been moving onto the banks' turf.

"This has aroused an industry that not so many years back was rather content to play a traditional role," said Fritz Elmendorf, an official of the American Bankers Association, which represents the nation's commercial banks. "It's been only recently that banks have become this aggressive in testing frontiers. To some real extent it was mpted by the aggressiveness of

Among the banking rules that have come under attack - either directly by changes in the laws or indirectly by legal maneuvers -

 Restrictions on the interest rates banks could pay on deposits. Laws limiting a bank to deposit-taking in only one of the 50

 Laws aimed at keeping banking companies out of the underwriting of stocks and bonds or of

 Bans on the ownership of banks by nonbanking companies.

In one important area, deregulaing the year. Federal restrictions on

For many years, bankers were happy with the low limits on interest that could be paid to savers. But after investors, spurred by higher U.S. Congress to remove legal bar-riers that have kept banks and oth-1970s, began withdrawing billions er types of businesses strictly sepa- of dollars from banks and putting it rather than the Federal Reserve according to rate for the last 50 years and that into money market mutual funds. Board, which generally has been companies.

have restricted locations where banks could do business.

and other investments, banks began to clamor for the ability to pay

higher, competitive rates. In part, the chaotic state of bank ing regulation and deregulation is the result of the very structure of the nation's banking system. That system is a sprawling and diverse mixture of commercial banks, which traditionally have been the financiers of business and industry. and savings, or thrift, institutions which traditionally have taken in the savings of individual Americans and loaned them out in the form of mortgages.

Until recently, savings institu-tions were prohibited from making commercial loans or from offering short-term loans to individuals.

There are about 14,000 commercial banks in the United States and about 4,250 savings and loans associations and savings banks. These institutions are governed by a dual system of laws enacted by both the federal government and each of the 50 states.

The dual system is split even forther on the federal level, where the responsibility of overseeing banking companies is shared among different agencies. The Federal Reserve Board regulates commercial bank holding companies; the Federal Deposit Insurance Corp. regulates commercial banks and savings banks; the Federal Home Loan Bank Board is in charge of federally chartered savings and loan associations, most of which are small astitutions that are largely in the business of financing housing for

approach to its job and to deregniahave "shopped" for the most leoff against another to get the most

Banks with charters from the federal government have switched their charters to states in order to be under the oversight of the FDIC rather than the Federal Reserve according to executives of linancia



-Paul A. Volcker

the most cautious of the regulators

Indeed, the nation's biggest banks would like the Fed to ster role as a bank supervisor to less conservative regulators such as the comptroller and the FDIC. The Fed chairman, Paul A. Volcker, thus far has rejected such sugges

The divisiveness among the regulators is magnified in Congress where lawmakers get differing opinions on deregulation from big banks, small banks, savings and loans associations, brokerage houses and mutual funds and conumer groups. This discordant chorus of advice and opinions means that little is likely to be done soon to settle the matter of banking Heinz, Republican of Pittsburgh and a key member of the Banking Committee, which will have to apmove any new banking legislation

"No significant revisions will be enacted without broad consensus Heinz said in a recent interview. Mr. Elmendorf said that desegulation is a tough issue for Congress because "it deals with rather arcane doesn't really care about or hasn't expressed an interest in " "By its very nature it creates difficult choices for politicians that they'd

Kidder, P

# Oil Revenue Drop May Leave Scars on Gulf Banking System

By Brij Khindaria

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Elli of h nies are less than a decade old and many of the international banks moved in after 1975. The spectacular growth of Bahrain's offshore banking facilities. which remain the most vigorous banking presence in the area, also happened after 1977. But growth pros-

pects have already slowed down.
While much of the blame lies with economic troubles, some must be laid on bottlenecks in local investment programs and lack of skilled financial

The Arabs bought the best Western financial and investment advice available, but only time could change the conservative mentalities of the investors themselves. The changes are only just becoming visible as investors enter higher risk venture capital

placements.

But a large body of investors, perhaps most of them, are inflexible in their Moslem beliefs and would rather forego interest incomes than compromise their reli-The full impact of this body of savers and investors

has not yet been fell because enough public money and cash from rich individuals was available to keep and task that he was the control of the control of

earnings rise again soon. According to the laws laid down by Mohammed no good Moslem is allowed to accept interest income on his money. As applied today this has a good side as

well as a less landable one. emerged, loosely called Islamic banking, where depo-siters give money on trust to the bank that invests it in profit-sharing projects rather than interest-bearing instruments. Depositors do not expect fixed rates of return and do not complain even if there is no return.
Yet Islamic banks — aithough still only a handful have been surprisingly successful. Some claim to have returned at least 20 percent annually on deposits. They now have strong growth plans in countries with large Islamic populations after less than five years of activity on average.

Perhaps the best-known example of such a bank is the Geneva-based Dar al-Maal al-Islami, (DMI) whose chairman is Prince Mohammed al-Faisal, second son of the late King Faisel of Sandi Arabia. Its equity participation certificates, which opened at \$105 in late 1981, are now being traded at around \$140 in Gulf markets.

Although its main business is in Saudi Arabía, it is quickly expanding through representative offices in other Gulf states and Islamic countries in Asia-It also expects to open offices in the United States and become a licensed deposit taker in Britain.

being offered in tranches... The fastest growing Islamic bank appears to be the Kuwait Finance House created by three government ministries and the public in 1977. Its assets burgeoned foreign bank earnings.

by nearly one-half during the last 14 months and now

GENEVA—The drying of surplus funds because of falling oil revenue and economic recession have put a temporary brake on the banking and investment boom in the Arab Gulf states.

Consequently, future prospects, although still healthy, no longer offer the excitement of past years. Most domestic Arab banks and investment companies that they can be sure that their money will be invested strictly according to islamic laws, said an executive who has advised three such banks. "But the problem is finding Islamic ways of investing such large sums of money," he added.

of investing such large sums of money," he added.

The problem arises because most Islamic countries are poor and have badly organized stock markets, or none at all. Locating borrowers is easy, but helping them to make profits that could provide the lenders with an income is difficult because of the backwardness of the economies in which they function.

At the same time, local commercial banks do not look kindly on such "Islamic banking." The less laudable aspect of the concept is that it goes so much against the grain of non-islamic bankers as to make cooperation difficult.

Even the Saudi Arabian Monetary Authority

(SAMA), which controls about \$30 billion of its country's reserves, is reported to be wary of Islamic The Ministry of Finance allowed the Al Rajhi

Company for Currency Exchange & Commerce to become the country's first Islamic bank in June 1983 after several years of soul-searching, reportedly to avoid later public criticism of the SAMA, which invests its funds in exchange for interest income. The Al Rajhi bank, when it becomes operational in

1984, is likely to become the banker of the masses while other non-Islamic commercial banks handle the modern economy.

Commercial banks in all Gulf states face leaner pickings than in the past. Consequently, a race is quickly developing for rich clients and banks are

improving their portfolio management and customer relation services. Most banks expanded rapidly in the late 1970s as every state heavily emphasized public spending. Gov-The good side is that a new style of banking has a comments spent not only on welfare but on bolstering private enterprise and creating the basic infrastruc-

tures needed to bring Arab economies into the last quarter of the 20th century after agelong isolation and But every state has now sharply pruned budgets. Even Saudi Arabia is being forced to draw down at least \$10 billion from its reserves to make both ends meet and the Finance Ministry has instructed all departments to spend only 75 percent of their alloca-

tions this year. Most bankers detect a trend toward medium and longer term investment by Arab customers in contrast with recent years, when they sought mainly high interest fiduciary deposits and floating rate notes. Arab banks also seem less eager to enter lending consortia because they feel they have gained enough

reputation to strike out a little more on their own. For their part, the offshore foreign banks in Bahrain face a plateau in business mainly because of cuts in spending by the Sandi and other governments. The Sandis have also recently taken new measures to encourage participation by domestic banks in rival ecome a licensed deposit taker in Britain. offerings limiting the role of foreign banks, in some It has an authorized capital of \$1 billion, which is cases offshore banks have raised only the foreign currency portions of multicurrency requirements. Some aggravation has also been caused by more vigorous collection by the Saudis of withholding tax on

# Panama Banking Collapse Causes Concern Over Supervision

By David Vidal

WASHINGTON - The recent collapse of a private Venezuelan bank in Panama's offshore banking center has sustained concern among U.S. federal banking regulators that banking supervision there is inadequate.

In a reflection of this concern, the comptroller of the currency has denied a license to a South American bank chartered in Panama that sought to begin operations in the United States. This is a result of the inability of U.S. and Panamanian regulators to reach agreement on how supervisors in the United States might examine banks in Panama without violating Panamanian secrecy or other

While no specific U.S. action has grown out of the failure of Banco de Ultramar, U.S. officials and experts concerned with international banking and offshore activities in particular, express a subdued caution on the subject

"It's a nervous tread right now," said a private banking expert with clients in Panama.

At the Federal Reserve Bank, a knowledgeable official said Panama was not on "any sort of emergency list or anything." But, he added, "they have a National Banking Commission down there whose supervision is not very good or adequate, and that is something neither we nor supervisors are happy about,"

An official who deals in international matters for the comptroller of the currency said: "If we perceived there was inadequate supervision, we would decline permission done that recently."

Sources in the U.S. Congress connected to the Banking, Finance and Urban Affairs Committee said that there was no particular action being contemplated.

Officials of the Fed, as the U.S. Federal Reserve Bank is called, and the Office of the Comptroller of the Currency said, however, that they continue to "proselytize" Panamanian authorities about the problems that banking under "flags of convenience" can cause. Both agencies share responsibility for supervision of U.S. international

Federal bank authorities traditionally supervise U.S. banks on a consolidated basis, so that all branches, subsidiaries and affiliates are reviewed. Similarly, agencies or branches of foreign banks in the United States must be chartered and supervised either by the state banking authority or the comptroller. Foreign banks operate in the United States within the same regulatory and supervisory framework as U.S. banks.

While "remote" examinations of a bank's books are carried out regulatory authorities prefer to conduct onsite examinations, and this currently is done with a number of offshore centers. Annually, more than 100 U.S. bank examiners travel to more than 20 countries to conduct "prudential" examinations of U.S. banks' offshore

But Panama is not included. "We used to go down five or six years ago, before their desire to go more secret," one regulator said. "We had

for a bank to operate in the United States, and we have agreed to joint examinations, but they then realized that they lacked authority to do them and they figured, we shouldn't be in there if we couldn't be.

About one-third of Panama's offshore banks are of South American origin and more than half the overall total come from North and South America. Total assets of the banking center in Panama rose to \$49 billion in December 1982, up from \$46.3 billion a year earlier, according to the U.S. State Department. The number of banking licenses issued rose to 130 in early 1983, and seven banks began operations during 1982. Eight more have received licenses but have not yet begun operations.

Offshore banking operations are exempt from Panamanian income tax, and transactions conducted from an office in Panama, but consummated or having an effect abroad, also are nontaxable.

The laws to create an international banking center were passed in 1970. Before it was in effect, 241 "banks" operated out of Panama, but after its approval 20 were eft. Panamanian authorities said.

The National Banking Commission was created as a quasi-independent agency under the Planning Ministry and as the cornerstone of the banking supervision system. With three members from the public sector and three from the private banking sector, it supervises banks, issues licenses and promulgates regulations.

The law does not allow "registry" banks - those that function in name only — and forbids any corporation from using the word "bank" in its title without a banking

# 3 Kuwait Giants Return to European Investment

By Timothy McGick and Eva Dadrian LONDON - Kuwait's three biggest financial powerhouses, though still badly shaken by the souk al-manakh stock market crash, are coming back hesitantly in the Euro-

The three, - the Kuwait Investment Co. (KIC). the Kuwait Foreign Trading, Contracting and Investment Co. (KFTCIC) and the Kuwait International Investment Co. (KIIC) — are owned by the government together with Kuwait's merchant elite and form the powerful investment

arm of the Kuwaiti Ministry of Finance and Planning. When a Kuwaiti dinar floating rate note (FRN) for 5 million dinars was launched last June, managed by the three, it was seen as the finance ministry's attempt to gauge the damage to Kuwait's financial reputation after the crash in 1982. The government still is deciding how to cover more than \$30 billion in bad debts.

The differences between the investment companies are ght. All are run as Western investment banks, although KFTCIC handles more trade and domestic contracting than do the other two. KIC gears its investment more toward the domestic market and real estate, and KIIC is oriented toward pure foreign investment.

KIIC was originally set up in 1974 as a private company by leading Kuwaiti businessmen and several commercially minded members of the royal family. Today, the government owns 20 percent of it and 78 percent of KIC. KFTCIC is 90percent owned by the finance ministry.

Although Kuwait's foreign reserves are smaller than Saudi Arabia's, the al-Sabah royal family has proved adept at diversifying oil income into foreign investment - mostly through the KIC, KFTCIC and the KIIC.

At the time, some bankers believed that the floating rate note issue came too soon after the souk crash, and instead of

dinar and accelerate the drain of capital. percent above Kibor — the six-month Kuwaiti interbank offered rate. Managers and underwriters earned a 4 percent

commission. Issued by the United Bank of Kuwait in London, it was the first time that the Kuwaiti dinar bond market \$213.7 million. KFTCIC also is an active participant in the was open to banks outside Kuwait. The June issue seemed to be the parting shot of Abdul-Latif Yousef al-Hamad, the finance minister who resigned in August because of differences with the National Assembly over how to deal with the stock market debtors. Mr. al-Hamad, who gained international respect as director-general of the Kuwait Fund for Arab Economic Development,

needed to be publicly declared, according to Mr. al-Hamad. But the National Assembly thought otherwise, believing it was better to write off the debts than drag out the affair.

Some bankers claim that Mr. al-Hamad's decision to test the market with a FRN issue was safer than relying on other financial instruments. The fall in oil prices and the repercussions from the souk have weakened Kuwaiti bank rates by 5 percent over the past year. One Gulf investment banker based in London said: "A floating rate note should enable the Kuwaitis to ride out any short-term currency fluctua-

argued that stiff measures were needed. All bankruptcies

The combined weight of the KIC, the KFTCIC and the KIIC behind the issue seems to have paid off. Dealers report that the 5 million Kuwaiti dinar issue - the first of any kind on the Kuwaiti dinar market for more than a year - has been successful.

"The Kuwaiti dinar is a strong currency. The time was right to show that to the market," said a U.S. broker in

The KFTCIC, of the three units, has pursued the most lending rate to Arab countries.

helping to restore confidence, it would result in a weaker dinar and accelerate the drain of capital.

The FRN issue offered: Interest on the seven-year issue at 143rd in the Euromoney 500, with an equity value of \$426.3 million), it rated among the top five Arab lead managers of syndicated loans for the first six months of 1983. It leadmanaged 18 loans from January to June 1, amounting to bond market. In 1982, it managed 32 bond issues, mainly in Kuwaiti dinars and dollar denominations.

> As one of the oldest Arab investment companies -KFTCIC was formed in 1964, long before the oil price boom, it set the foreign investment pattern that other large Arab oil producers were to follow. KFTCIC and the two smaller units picked U.S. government securities as their first choice, followed by stocks and bonds in large U.S. corporations. The pattern still holds: Of the estimated \$78 billion of Arab investment in the United States, around \$44 billion are funneled into government securities, \$16 billion into toprated U.S-based multinationals. Another \$11 billion is in commercial bank deposits. The remainder goes into buying real estate and such corporations as Santa Fe International a petroleum company Kuwait bought for \$2.5 billion.

> Kuwait and the other major holders of petrodollars then decided to diversify into Japan, West Germany and Switzer-land, keeping the same mix of government and corporate paper in their portfolio. A major shift from the United States occurred after the Carter administration froze Iranian assets.

So far, all Arab oil states, with the exception of Iraq, which is at war with Iran, have decided to scale down domestic development rather than dig too deeply into foreign investment. KFTCIC, KIC and KIIC (which rank 172 and 350 respectively in the Euromoney 500), according to Middle Eastern bankers in London, also have maintained their high

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# **Conservative Policies Drawing** Criticism, Praise at World Bank

By John M. Berry WASHINGTON — The World

Bank has a record in these financially troubled times that must leave many international lenders green with envy: It is consistently profitable, it has never had a borrower default, arrearages on loan payments are insignificant, and it has never rescheduled payments on

The conservative philosophy underlying that record also generates the bank - formally the International Bank for Reconstruction and Development (IBRD) — does too little to aid developing nations, given its resources.

For instance, the Overseas Development Council, a U.S. nonprofit group headed by a former World Bank president. Robert S. McNamara, urged earlier this year that the bank try both to increase its resources and to use what it has more aggressively.

In introducing the council's annual analysis of aid and other resource flows, Mr. McNamara said: There is an immediate, urgent need for a more systematic mechanism to cope with the debt crises of developing countries. This must include a lender of last resort and sharply increased resources available to the International Monetary Fund, the World Bank and the regional development banks."

Specifically, the report suggested speeding up the next general in-crease in World Bank capital, now scheduled for fiscal 1987. It added, The IBRD could also increase its lending capacity by altering its gearing ratio - the ratio of exposure outstanding to total capital. including callable and paid-in capi-

"Currently, the IBRD's charter limits its exposure to an extremely conservative 1:1 ratio to total capital. Commercial banks may risk an exposure of 25:1 or more of their capital base," the analysis continued. "As the IBRD has gained in resources, experience and reputation, it can consider a more expansive policy.

"Raising the gearing ratio would permit the IBRD to borrow more having to ask donor governments of its resources in other ways, infor large budgetary appropriations cluding a process of co-financing or fully offsetting callable capital with commercial banks and closer guarantees. . . The expansion of ties with export financing agencies the gearing ratio could be gradual, in industrial nations. rising slowly to a still conservative

tio in its 1980 report.

the bank. First, the 1:1 ratio of loan dis-

bursements to paid-in and callable capital is part of the IBRD's Articles of Agreement, and any change would require amending them. Second, the investors who cur-

rently have lent the bank about \$40 billion have done so relying on the virtual total protection of that 1:1 ratio. Even the Overseas Developchanging the ratio might lead to suits by present bondholders. And World Bank officials fear their borrowing costs, which are virtually the same as those of the federal government for bond issues floated in the United States, would rise.

"Even if changing the gearing ration were desirable." says s World Bank spokesman, Sheldon Rappaport, "it is doubtful that the major industrial countries would approve it. The various shareholders (the 144 countries owning stock in the IBRD) are aware that investors in their countries have bought bonds with that 1:1 gearing ratio in

"Also, the shareholders have paid in only about 7.5 percent of their capital. The rest is a commitment to pay off if needed, and they want to make sure the bank is managed conservatively enough that they will never have to pay in the additional capital," Mr. Rappaport

"If we departed from that 1:1 ratio, I suspect the financial markers would frown on that, and we would end up having to borrow at higher rates. Since we are an intermediary --- we tack on one-half a percent and on-lend the money that would raise the cost to our borrowers," he added.

The whole idea is such a remote possibility. Mr. Rappaport said, that "within the Bank, I haven't heard developing countries or industrial countries recommend it."

Meanwhile, the IBRD continues heavily in private markets without to try to achieve greater leveraging However, the push for co-financ-

ing is not new, and in the current The Independent Commission debt crisis many smaller banks that

on International Development Is- have been lenders to developing sues — the Brandt Commission — nations in the past are getting out also recommended doubling the ra- of the business as fast as they can,

In the IBRD's 1983 fiscal year, There are two big stumbling which ended last June 30, there blocks to implementing any such were 88 projects with co-financing, proposal, according to officials at The projects' total costs were estimated at \$21 billion, with the bank putting up \$3.2 billion and the International Development Association, the bank affiliated soft-loan arm, another \$1.1 billion.

That \$4.3 billion was augmented by \$5.7 billion worth of co-financing, with \$1.8 billion coming from various official sources such as regional development banks, \$2.9 billion in the form of export credits ment Council acknowledges that and another \$1 billion from private

> utive directors approved a trial program in which the bank, in addition to its own loan, can also participate in the parallel commercial loan. "This participation may take the form of direct financial participation in the later maturities of a loan made by commercial banks, the use of the World Bank guarantee, or a contingent participation by the World Bank in the commercial

loan," the co-financing report said. In some cases, loan disbursements may be speeded up or the amount of World Bank participation increased. In others, critical foreign exchange may be loaned to help an underutilized export sector maintain its production level, ac-

cording to World Bank officials. But none of these changes should be taken as an indication that the bank is about to abandon any of four conservative principles that govern its lending principles above and beyond the 1:1 gearing ratio.

In the latest of its quarterly information statements required by the U.S. government on behalf of American investors, the bank outlines those principles:

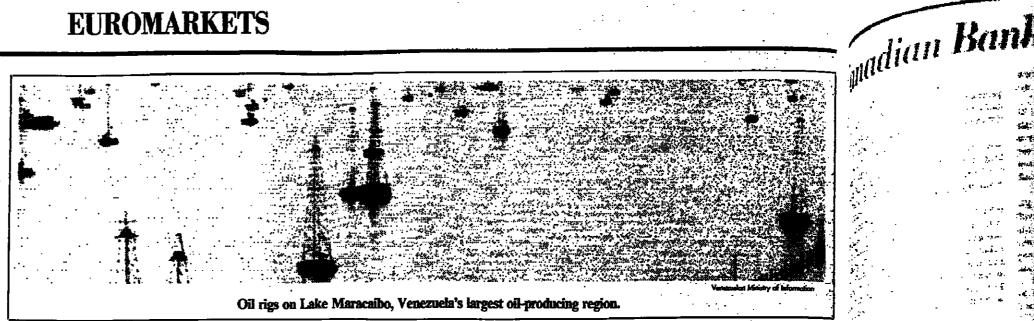
must be guaranteed by the government or the central bank of the country in which the project is lo-

• Loans must be for productive purposes and justified on economic Economically, the borrowing

country must be likely to be in a position to repay the loan, including having the prospect of suffi-cient foreign exchange to do so.

ent foreign exchange to do so. A deal among central bankers, of the last resort, can decide to

The use of loan proceeds is called the Basel Concordat, was launch a rescue operation either The use of loan proceeds is called the Basel Concordat, was launch a rescue operation either only a few days (although periods supervised, with disbursements worked out in 1975 detailing, for singly or in cooperation with other can extend up to 12 months) simply made only as the project pro-



# Central Bankers Strive to Close Loopholes in Code

BASEL, Switzerland — About control imprudent lending by com- convert the concordat into a formal bank can mean loss of interbank banks are forced to draw down to yards from the Basel railway mercial banks. It also clarified the agreement on international bank- loans made by hundreds of others. hidden reserves. 300 yards from the Basel railway station stands an unusual cylindrical building that houses the world's most powerful bank -- the Bank for International Settlements

The BIS, a tight club of influential central bankers, not only acts as a clearing house for central bank transactions but also as a prestigious think tank guiding Western banking policies.

Since central banks are the main regulatory authorities for commercial banks in every country, the BIS is the nerve center for surveillance of international commercial bank-

Until recently, the BIS was as nondescript and discreet as the city playing host to it. Central bankers met there once a month to clear accounts with one another and discuss the economic outlook to assess the kind of monetary policy best suited to their needs. They made no pronouncements and few people paid much attention to them.

But as recession took hold of Western economies, monetary policies became crucial instruments for controlling inflation and arresting inemployment.

The role of the BIS began to change soon after the 1973 oil price increases that brought surplus cash flooding into Eurodollar markets. The collapse of West Germany's Herstatt bank in 1974 jolted central bankers into more closely monitoring the foreign exposure of domestic banks partly by keeping a wary eye on their foreign lending-toequity-capital ratios.

among Western central banks to

responsibilities of the national central bank in case of a major commercial bank collapse.

The concordat apparently served strict each central bank's right to ts purpose well because no major make its own decisions or to choose bank closures occurred in Europe for several years in spite of the frenzied activity involved in recycling petrodollars, which substan-tially redefined the international role of both central and commer-

The era of massive consortia lending arrived in Europe in the mid-1970s at the same time as unprecedented speculative capital movements and volatile exchange rates. Despite the unique strains on the system, apart from occasional closures of small banks, European bankers managed to sail through

those turbulent and exciting years. Then came the Banco Ambrosiano scandal when the Luxembourg holding company, Banco Ambrosiano Holding (BAH), de-faulted on nearly \$400 million of syndicated Euromarket loans, Central bankers suddenly recognized a gaping loophole in the 1975 con-

The concordat had laid down no subsidiaries, holding companies or joint ventures of international bank groups. Should responsibility rest with the central bank of the parent company's country or the affiliate's of three-quarters of the world's dehost country, or should responsibility be shared by the two central

The apportionment of responsibility is vital because only the central bank, in its capacity as lender

ing supervision. However, the planned agreement would be limited and would not significantly re-

its own methods of enforcement. An accord would not involve anything that might be misinterpreted as a pledge of automatic rescue operations. On the contrary, the purpose would be to make it easier for central banks to detect shaky commercial banks early enough to push them off the brink of crisis in time.

By clarifying the areas and extent of central bank responsibility in cross-frontier defaults, the agreement would allow members to force careless banks to shape up while minimizing the international

impact of any default. Systematic handling of challenges to international financial stability that arise from commercial bank misjudgments is particularly important when hundreds of banks from many countries act together often to make syndicated loans to international companies and governments.

The collapse of one large syndiguidelines about which central cate member can bring many of the banks should supervise foreign others down even when the borrower may not have defaulted. Although many commercial banks have more resources at their disposal than the national budgets

veloping nations, they are also more fracile than ever. This stems partly from their huge dependence upon one another through the \$1trillion interbank loan market. In this market, banks lend sur-

plus funds to others usually for ers. to avoid keeping the money idle.

The BIS is trying to expand and
Therefore, the collapse of one large

Worse still, if the borrowing banks lend interbank funds to a company or government that de-faults, the effect on all the banks from which it borrowed can be cat-

astrophic.

Banks lend on the interbank market simply to use their idle money and do not expect it to be tied into risky loans to outsiders. Such loans are usually raised through syndication when each participating bank can indepen-dently decide whether or not it wants to share the risks involved. The diversion of interbank money to a government on the edge of

the chain. Consequently, the mere specter of default by the government borrower sends jitters through the entire interbank system. The risks for lenders become nerve-shattering if the borrowing government uses interbank funds to compensate for a balance of payments deficit, making no investments capable of generating the income needed to repay

choice to all the banks involved in

its creditors. The irony was and still is that the banks involved are generally wellmanaged and innovative in much of their domestic and international business. However, the shortage of liquidity created by the inability of vernment borrowers to even pay the interest and administration charges on their debt is so great that many banks face acute difficulties in paying off their own in-terbank debts. It is these difficulties rather than Third World indebtedness as such that threaten

the world banking system. Cash, which only two years ago was available in excessive quanti-

This interbank market crisis rather than Third World debt as such, is what wornes the BIS. It is also the chief reason the BIS has come into prominence in the past

Once the epitome of discretion the BIS under a new president Fritz Leutwiler, who earlier headed the Swiss National Bank, is now in the forefront of the world monetary debate. It aggressively participates in handling the dangers hanging over commercial banks and also wider issues of Third World poverty and Western economic policy.

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The aim of expanding IMF and World Bank resources would be to insolvency does not give that enable developing countries to start productive projects raising their credit worthiness with conmercial banks. Such banks are the only large enough source of the huge sums needed for economic development. IMF and World Bank loans cover barely about \$20 billion of Third World borrowing needs estimated at more than \$80 billion in 1983 and rising to beyond \$200 billion by 1990.

But IMF and World Bank finance is crucial because it is long term and allows borrowers to create the liquidity base — the capability of handling debt-service burdens - needed to attract commercial funds.

Commercial banks worry that Third World governments shy away from the tough political choices needed to restructure their economies rather than waste borrowed money on less productive investments. The BIS therefore makes availability of bridging finance conditional of acceptance by the borrower of harsh IMF measures to restructure the economy.

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# Canadian Banks Turn to U.S. for Growth

By Fred Langan

TORONTO - With the domestic banking narket showing few signs of growth, Canadian chartered banks have been aggressively expand-ing in the United States.

Fifteen years of gradual moves into the Unit-ed States have culminated this fall in the third largest liank in Canada announcing plans for a major acquisition of a retail banking operation

The Bank of Montreal plans to buy Harris Bank of Chicago for 546 million Canadian dollars, taking up all the shares at 82 Canadian dollars a share. The proposed acquisition makes he Bank of Montreal the largest Canadian stitution in the United States, the increase in essets will also make it the second largest bank in Canada, edging out the Canadian Imperial

The deal will not be final until the fall of 1984. The Bank of Montreal has assets of 63.7 billion. Canadian dollars, compared to 94 billion for Harris Bank, the 33d largest bank in the United States. The acquisition would make the Bank of Montreal the sixth largest in bank operations in the United States.

The takeover is a friendly one, and the chairman of the Bank of Montreal, William Muliholand, said that he did not want to get involved in secret, dramatic" bidding war, Mr. Mullholland is reducing his exposure to difficulties that could come from regulators in the United States and from political opposition in Canada.

Canada's Bank Act restricts the activities of the 56 foreign banks operating in Canada by limiting their size to 8 percent of the total asset base of all banks. The total assets of all banks in Canada is 346.7 billion Canadian dollars, the foreign banks have assets of 20.4 billion Canadian dollars, just slightly under their limit. The big five".—Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal. Bank of Nova Scotia and Toronto Dominion -do more than 90 percent of the business done by the 11 Canadian chartered banks.

U.S. banks operating in Canada have been petitioning the Inspector General of Banks to increase their size, and, not too surprisingly, Mr. Mullholland has been supporting them. He recently wrote a letter to Ottawa asking that the restrictions on foreign banks be removed. "We have no objections whatsoever about removing the restrictions on U.S. banks in Canada," he said. He hedged that by saying he would not want the Bank Act reopened until it comes up the United States is difficult. The only figur

Bank Act induce foreign bank subsidiaries to refer their clients to their head office for their losus, by-

Buying Harris will have an effect on the Bank out of the deposit business in California, "but it doesn't make much difference anyway," he add-

operations in New York City will not be affectmoving its U.S. headquarters from New York to

move for the Bank of Montreal, which has not been growing as quickly as some of the other Scotia because of its size was squeezed out of a "big five" banks. "The Bank of Montreal is a lot of the corporate business in Canada. high-growth bank and it has not worked well in a slow-growth environment," said Robert Gay, bank analyst with Dominion Securities

The acquisition is not popular with Canadian economic nationalists. The Socialist New Democratic Party was critical of the Bank of Montreal spending money outside Canada. Mr. Mull-holland replied that Ottawa's concerns with the concentration of banking power would never allow any Canadian bank to expand within

It is not the Bank of Montreal's first major foray into the United States. Apart from its interests in California it tried to buy 87 branches of the Banker's Trust Company in the late 1970s. But negotiations fell apart when the two banks started squabbling over price.

However, the finance committee of the House banks under the heading "location of assets by of Commons in Ottawa has recommended an ultimate risks." The real size of loan portfolios early end to the ceiling on foreign bank assets. It of the Canadian major in the United States is would come sooner than Mr. Mullholland exalmost certainly higher but these are the latest pected, perhaps as early as next spring, and official figures in Canadian dollars; the num-would be done through an amendment to the bers in brackets are the percentage of each

bank's total assets represented by its U.S. loans One worry the committee had was that keep - the Bank of Montreal, \$7.1 billion (11.4 ing a loan limit on the foreign banks would drive percent), not including the planned Harris ac-business out of Canada. This situation may quisition, the Bank of Nova Scotia, 6.7 billion quisition, the Bank of Nova Scotia, 6.7 billion (12.5 percent), the Canadian Imperial Bank of Commerce, \$6.565 billion (9.6 percent), the passing the existing regulation," the committee Royal Bank of Canada, \$5.868 billion (6.7 percent), and the Toronto Dominion Bank,

\$5.03 billion (11.1 percent). of Montreal's existing banking operations in the United States, namely the Bank of Montreal Scotia is said to be the No. I Canadian bank (California). Mr. Mullholland said that the operating in the United States. "Even though Bank of Montreal will have to "debank" its the dollars don't show it, the Bank of Nova California banking operations, meaning that it Scotia has the deepest penetration in the United will not be allowed to take both deposits and States," said Mary Lessle, a bank analyst with make loans. He said the bank will probably get the Toronto firm of Midland Doherty. She add-

market share of big corporate clients." Perhaps the most surprising element that the Royal Bank of Canada, the largest in the counterations in New York City will not be affect try, has a relatively small position in the United is except he announced that the bank will be States, eclipsed by the Bank of Nova Scotia, oving its U.S. headquarters from New York to which holds only the fourth position in terms of bicago. Bank is international, it has offices around the world; another reason is that the Bank of Nova

> In its home country it concentrates on retail sumer loans. Its international face is totally different. "To diversify their loan portfolio the Bank of Nova Scotia went to the United States and the Caribbean to get floating-rate loans," according to Thomas Starkey, an analyst with

Canadian banks have concentrated their activities in three states, New York, Illinois and California, although the "big five" banks each operate in at least five states, some in as many as nine. Canadian banks have been expanding rapidly in the United States because it is Canada's largest trading partner. In 1981, it amounted to \$110 billion, according to the Canadian govern-ment. Trade with the United States represented 66 percent of Canada's exports and 69 percent Measuring the activities of Canadian banks in of Canada's imports.

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# For Euromoney, Toronto Is 'Secondary Center'

TORONTO - Toronto has be- Bank of Nova Scotia and the Tocome an important satellite center ronto Dominion Bank Seven inter-

kets picked up in the late 1960s and early 1970s, when international brokers in the interbank deposit market began to operate from the

Toronto is a secondary center,". said a Canadian bank manager,

The deposit side of the Euromarkets is handled by about 15 people at the five Canadian banks that do more than 90 percent of Canada's banking - the Royal Bank of Can-

national brokers employ about 35 to 40 more people, with the rest of their staff dealing in foreign-ex-change markets, which for Canada, also are centered in Toronto.

Of the two types of Eurobusiness and foreign exchange - the deposropeans, as well as various govern-posed to having to go to a bank."
ments, central banks and other Canadian investment dealers are large international banks.

through their London affiliates and

market because they're big users of municipal governments and corpo-foreign capital," said Roderick rations in Canada borrowed \$6.7 Macgillizray, vice president and billion on the Euromarkets; only director of Dominion Securities the United States borrowed more AMES in Toronto. Mr. Macgillizray was in the market in London before moving back to Canada sevdone in Toronto — the deposit side eral years ago. He said that Canadian companies and especially Cana-

> Canadian investment dealers are big brokers all have offices in Lon

billion on the Euromarkets; only

There was also a small market in it side is far more important. The dian governments borrow in the Euro-Canadian dollars. Last year Eurodollars at the Canadian banks are U.S. dollar deposits of U.S. good enough quality credit that issues; there were only half a billion in the first six months of this year.

Mr. Macgillizray said the reason for the drop in borrowings this year active in the secondary market was that "rates in Canada were so trading the bonds in London. The good this year that most borrowers

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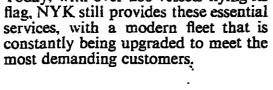
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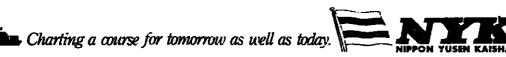
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#### **EUROMARKETS**

# Despite Exposure, Citicorp Wins Praise

WASHINGTON - Citicorp, the world's largest banking corporation, had \$130.5 billion in assets zuela, Argentina, Yugoslavia and Chile.

Standing against those and all other questionable loans in its \$88.3-billion portfolio, Citibank reserves and \$8 billion in other to-

A complete default on the rough-\$4.5 billion worth of loans to Brazil alone could leave the bank's capital position severely impaired. The impact of any such default deeply worries U.S. bank regulators and the Federal Reserve. As a senior Reagan administration official put it, "There hasn't been a week this year that we haven't gone to the brink with Brazil."

Yet, whatever cloud may be nanging over Citibank or other major U.S. banks as a result of the continuing international debt crisis, stockholders of its parent holding company. Citicorp, are hardly bailing out in droves. The price earnings ratio of the stock is down, probably because the market is keeping one eye cocked toward those potential foreign loan losses. But the drop in the ratio has been only from six last year to five cur-

Meanwhile, a number of stock analysts have given "buy" recom-mendations on the stock because of its prospective earnings growth, which they say is not fully reflected n the price of its shares.

Citicorp continues to earn more than a 16-percent return on equity, and the analysts generally project steadily rising per-share earnings for coming years, always assuming the worst does not come to pass in Latin America.

Lawrence W. Cohn, who follows Citicorp for Dean Witter Reynolds, the brokers, wrote not long ago: "Citicorp has strongly outperformed the market since mid-1982. but we believe that the stock still offers tremendous potential. The company's operating leverage from declining interest rates and the continuing benefits of usury relief is extraordinary, and Citicorp's outlook is exceptionally bright as a

bled loans to Brazil, Mexico, Vene-business is now solidly in the black, with further substantial operating earning growth expected," the ana-

"As fears about an international monetary collapse abate and as the had only \$736 million in loan loss market begins to appreciate the opportunities of deregulation, we bee that Citicorp's price-carnings multiple will rise appreciably. Citi-corp remains our favorite Buy recendation in the multinational

> crisis that has left Citibank exposed to a potential disaster seems to be belping the bank make more mon-ey in the short run.

Citibank, like all other larger money-center banks, acquires a substantial portion of the funds it lends by borrowing money itself, using a wide variety of money market instruments, such as large certificates of deposit. Both in the United States and in other countries, many banks faced with large actual or potential loan losses have found their own credit ratings slipping. As a result, it costs them more to borrow needed funds.

That is one reason, for instance, that some of the big banks have been courting retail deposits so vigorously: They want to minimize their level of outstanding large CDs both because the market is requiring them to pay a premium and because of a fear that, in a crisis, they could not roll them over ...

But Citibank's reputation is such that it has had no such problems, whatever its exposure. As the Dean Witter Reynolds report noted:
"Euromarket pricing [of loans] has improved significantly due to reduced OPEC balance-of-trade suruses and increased perceptions of risk brought on by fears about Poland, Mexico, Argentina, and other

"În this environment, major U.S. multinational banks continue to access the markets at the best rates. while virtually all non-U.S. banks pay a premium, which leaves the U.S. banks with better volume on higher margins. With its worldwide branch network, Citicorp is ideally positioned to benefit."

pricing cycle should continue to quarter earnings of \$221 million, or sector. result in substantially improved \$1.58 per share fully diluted, Law-Citib at the end of the third quarter, pricing and profitability. Domestinence R. Fuller, an analyst with including about \$10 billion in tron-cally, Citicorp's consumer banking Drexel Burnham Lambert, echoed the sentiments of Mr. Cohn.

> sider the corporation the leader in third-quarter earnings statement. the application of advanced computer telecommunications systems to the development and delivery of financial services to both retail and corporate market.

The valuation of the common stock is depressed, as is the valuation of the other major international money-center banks, by the negative psychologies surrounding the rescheduling of major developing country credits."

On occasion, Citibank has been less forthcoming than some other major banks about its exposure to possible foreign loan losses, but it s clear that it has classified only a few of such loans as nonperforming "Nonperforming loans," ac-cording to the bank, include non-accrual loans and renegotiatied loans. Nonaccrual loans are those on which, as a result of doubt as to collection, income is recognized only to the extent cash is received. Renegotiated loans are those on which the rate of interest has been reduced as a result of the borrower's inability to meet the original

At the end of the third quarter this year, Citibank had \$2.6 billion worth of nonperforming loans, about 3 percent of its total portfolio. That compares with a historical high of 5.1 percent at the end of

The \$2.6 billion figure is about \$900 million higher than the year-end 1982 number and \$1.6 billion higher than yearend 1981. However, in the first nine months of this year, the bank's total capital, including loan loss reserves, also increased by more than \$1 billion.

The large increases in nonper-forming loans both in 1982 and this year were primarily in the bank's overseas offices, particularly in Mexico and other Latin American

latin Americ "On the international side, a new After Citicorp reported third the borrowers were in the private

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amble for Fi Citibank regards its policy on classifying loans as "aggressive, Drexel Burnham Lambert, echoed and cites as evidence the fact that in the first three quarters of this We continue to believe that the year, it received cash payments repoperating results of the corporation resenting a 10.3 percent yield on will outperform the results of the nonperforming loans. This yield other major bank holding compa- compares closely with the average nies over the next two to three base lending rate of 11 percent in years," Mr. Fuller wrote. "We con- 1983," the bank said in releasing its In other words, the bank was

doing almost as well with its nonperforming loans as with all its other loans. Meanwhile, under its chairman, Walter B. Wriston, Citicorp continues to pursue its nationwide expan-

sively as the law and regulatory decisions will allow. Last year, it became the first maor bank holding company to acquire a thrift institution in a state based. The acquisition of Fidelity Savings & Loan of San Francisco now renamed Citicorp Savings gave Citicorp access to the lucrative California market through,

more than 80 branches. interstate banking being steadily eroded in the United States - the six New England states, for instance, have acted on their own to allow interstate banking for institutions within that region — Citicorp, can be expected to continue to expand in whatever direction looks profitable.

Worldwide, the number of offices of Citicorp branches, subsidiaries and affiliates is approaching

Another New York analyst whohas followed the big U.S. banks for years regards Citicorp with somegot a perpetual motion machine Their pockets are so deep that they don't ever panic because they can. probably outlast any kind of prob-

So far, Citicorp seems to be outlasting the international debt crisis and making steadily more money.

# Asian Offshöre Banking: The Shakeout Goes On

the six months ended in September. national commitments kept the to-tal actually extended to 600 billion ven. The chortent is a tolling in the ways of the Month Caution over incurring new international commitments kept the total actually extended to 600 billion
yen. The shortfall is a telling indicator of the Japanese banks
changed attitude, since until recent
changed attitude, sinc months they have been very keen to promote yen credits. They generate ths they have been very keen to note yen credits. They generate management fees for Japanese ar than Euromarket banks and eliminate the lenders' exception of the stage where and export jeans in Hong Kong," a banker said. "Or at least you could, ead management fees for Japanese they eliminate the lenders' ex-

Now, however, Japanese banks are concentrating on blue chip borrowers: Finland's borrowing of 25
billion yen at the beginning of November was a great success because
of the number of banks that wantof the number of banks that wantto lead to a greating fewer of the property o deal). Yen loans, other than those ing while it happened, but inevitate support trade contracts, are, however, becoming increasingly hard to arrange for lower-quality

Singapore has been spared many

borrowers.

Most of the problems that face offshore banks in Asia this year can be traced to wider world credit

of the problems of its rival for banking supremacy in Asia, yet the ACU market has run out of steam.

The total assets held by ACUs trends, but each of Asia's three seem to have reached a plateau be-leading financial markets has had tween \$100 billion and \$110 billion.

dence of foreign bankers in Hong Kong's troubles.

Kong's role as the leading financial Singapore has hit back by offer-center of Asia. There appears to be ing a concessional tax rate on the to longer maturity deposits will be: a growing realization that in their

but they would need to be priced at

ed to lend to a premium European rection to both prices went further, name (61 financial institutions and faster, than it would have in were eventually included in the many other economies - harrow-

Singapore has been spared many of the problems of its tival for to battle serious problems of its and it could well be that Singapore own as well.

and it could well be that Singapore has attracted about as many banks Hong Kong's travails have been as it is going to get — about 160. The abolition of withholding tax on the interest, accruing to nonresities slumping in price, and a run on the currency. Barring the 1997 is surported in February 1982 seems the buyers the succession of fig. sue, however, the succession of financial and economic shocks does
from Singapore, funds that have
not seem to have shaken the confinot come back despite Hong

profits made by fund managers threatened — has not been over-(ACUs are taxed at 10 percent on come with the promise of offsetting

be seen: an even more direct chal-lenge to Hong Kong, matching its Hong Kong's banking hinterland zero tax on syndicated-loan income of China, South Korea and Taiwan. (provided some conditions are met, such as ensuring that at least half has followed a rather more hotthe lead managers are based in Sin-house approach — tax breaks, but gapore and that most of the work is within a regulated system. MAS. done there), was announced in the for example, restricts the amount Singapore budget in March this of business an ACU may do within. year, but does not seem to have Singapore (and taxes it at Singa-influenced the market's dealings in pore's corporate rate of 40 perthe last eight months.

back away from setting up an offshore banking center. Japanese where in between It is unlikely to banks are not in the mood to expand their international linanc- OBUs to set up in Tokyo, other ings, even from the comfort of their own doorstep. The Japanese authorities are worned about import-ing the instability of the international money markets into the of the nonresident, but it is 10-domestic yen markets, and opposidomestic yen markets, and opposition from banks afraid that they States and most of Western Eawill lose out to offshore banking rope) and other charges, such as units — especially from the trust reserve requirements and insurbanks and long-term credit banks, ance, on offshore deposits.

funds managed from Singapore ory, according to some sources, off-will not fall under Singapore tax — shore income falls within the ambit a possibility that had worried fund of Hong Kong's corporate tax rate managers about establishing an opof 16.5 percent, but in practice tax,
eration in Singapore).

is not levied). But it seems to be Whether the new provision will rather more rooted in the banks' help Singapore in the catch-up-freedom to run their operations as with-Hong-Kong race remains to they please, in Hong Kong's trade

ne last eight months.

Tokyo, in its turn, has had to eye on its ACUs:

Tokyo seems likely to fall some-OBUs to set up in Tokyo, other than the abolition of the 10-percent



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#### **EUROMARKETS**

# **Private Companies** In Latin America Scramble for Funds

vate firms in the debt-ridden com- Mexico, Brazil. Argentina and tries of Latin America that have international dealings are scrambling to find the foreign exchange

se

they need to do business.

The situation apparently is easing in Mexico, where adjustment to the new economic reality flowing from the debt crisis is farther along. In Brazil, Argentina and elsewhere, private companies are still turning to whatever source they can for the

Trade finance is perhaps the most urgent problem; since it may be the key to keeping imports of critical parts or commodities, without which production lines cannot

Its importance has been recognized by the International Monetary Fund, the banks and the various countries involved in trying to find a way out of the continu crisis. For instance, the agreement earlier this year between the IMF and Brazil recognized this by calling for no reduction in the then outstanding \$10 billion worth of trade credits. To the dismay of officials, those short-term credits by July had dropped to between \$6

billion and \$7 billion. Some of the countries have also used regulations to try to ease the trade credit crunch. Beginning in April 1981, Argentina required that trade credits be extended to Argen tine importers for at least 180 days, : a requirement that was reduced to 120 days last May. Brazil used the same 180-day requirement for some imports beginning in October

Nevertheless, some of the emerpency steps taken this year and last to keep the debtor nations solvent, such as tight restrictions on private-sector access to scarce foreign exchange, have left many compa-nies high and dry.

To determine the extent of this problem and to get information about how it is being met, the Council of the Americas, an association of more than 180 major U.S. companies with investment, trading, banking and service activities in Latin America, recently surveyed more than 100 of its members who have manufacturing subsidiaries or affiliates there.

Thirty-five of the U.S. corporations, with collective worldwide sales of \$230 billion last year, in-

WASHINGTON - Most pri- cluding \$16.7 billion by affiliates in Venezuela, replied to the council's questionnaire. There were at least 20 affiliates covered in each of the

> Among the key findings of the council were the following:
>
> Overall, dollar earnings by the affiliates will be sharply reduced in 1983 compared to prior years.
>
> • Where trade financing remains

vailable, there has been a major shift to fully secured terms.

 Barter, countertrade and the like have replaced some normal trade financing, with greater use of these options expected in 1984.

Of dollar borrowing by the affiliates, about 10 percent is owed to the parent corporation. About

half of that 10 percent is past due. Some companies said that they would indefinitely continue to fully finance their local affiliates, but others report having reached their limit, and still others are approaching theirs.

Meanwhile, with the affiliates being squeezed, dividend remittances will be down this year, and in some cases very sharply. Dollar equity invested in the affiliates has fallen by one-third this year in Venezuela, is down slightly in Brazil and Mexico, and is not growing in Argentina, the council said.

While official statistics are scanty, there are a few available that tend to confirm the paucity of new trade credits from U.S. sellers of goods. For instance, last March non-banking business enterprises in the United States reported they held \$401 million worth of commercial claims on unaffiliated foreigners in Brazil. That was less than half the figure at the end of 1980 and 50 percent lower than the yearend 1981 figure.

Comparably, the \$864 million for Mexico in March was down from \$1.002 billion at the end of 1981. The Venezuelan figure was \$286 million, against \$424 million.

Since the debt crisis arose, the U.S. corporations have clearly favored their affiliates in matters of trade credit. "About 90 percent of all shipments from parents to affiliates were on imsecured terms as of mid-1983," the report said.

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# Multinationals Become Focus of Moves to Standardize Company Data

GENEVA - Increasing worldwide interest in the operations of multinational companies by both investors and governments has focused attention in recent years on the need to improve the comparability of financial and general data about the

Initially, the traditionally secretive companies were worried by this trend, but they seem to have realized that a certain amount of standardization of information could work to their advantage. For instance, minimum norms of information disclosure in comparable formats can help them to better compare their own performance against competi-tors, while disarming critics and reducing the hostility with which multinational companies often are received in developing, as well as European

Attention in the general area of information disclosure has centered on reducing disparities in the presentation of financial accounts. Discussions are under way in several international forums to work out norms that companies might observe without being burdened by excessive administra-

The most significant work is being done within the Paris-based Organization for Economic Cooperation and Development, which is analyzing several detailed aspects of company accounts.

More general points - international standards of accounting and reporting - are being prepared by the United Nations Center on Transuational Corporations, based in New York. These will have isiderable long-term impact. But discussions are heavily affected by political considerations, such as the desire of developing countries to control the operations of multinational companies more tight-

The work with the most immediate impact has been done by the European Community's Executive Commission in Brussels. The Council of Ministers approved a new binding regulation — the seventh directive on group accounts - in May this year concerning the drawing up of consolidated accounts according to internationally recognized criteria.

Under the directive, EC governments will intro-duce laws by the start of 1988 obliging companies to obey new rules on consolidated accounts for the financial year starting Jan. 1, 1990. The directive. which will apply only within the EC, may not bring large changes in existing practices that are already subject to local laws, but its significance lies in its bold foray into national accounting practices to enforce EC standards.

The difficulties of standardizing accounting methods are illustrated by the seven years of talks it took to reach the EC directive, the six years already spent in talks by the OECD's working group on accounting standards and the 10 years spent on the planned UN standards.

While governments are the main participants in each set of talks, regular advice is taken from accountancy associations and interested companies. The aim of the EC directive is to ensure that Europe-based multinationals present consolidated

The OECD's work is aimed at helping investors and business analysts, as well as reducing head-aches for companies arising from the varying accounting practices of different countries.

The United Nations is analyzing how multina-tionals might after their information disclosure policies to reveal more data to developing country governments wishing to assess the contribution of multinationals to their economies.

The EC's seventh directive affects nearly 2 million companies. It stipulates that a group's consoli-dated accounts must include all dependent under-

The directive contains six definitions of a group, for the purposes of consolidation of accounts. Undertakings related to each other in any of the six may exempt from this requirement groups with a balance-sheet total of less than \$4 million or a turnover of less than \$8 million or that employ fewer than 250 people.

The directive's chief aim is to ensure that the consolidated annual report should include "a fair review" of the undertaking seen as a whole. An earlier directive - the fourth directive of 1978 sets standards for the format of annual accounts. valuation rules, adjustments for inflation and auditing methods.

The OECD's work on accounting standards is aimed at clarifying various accounting and reporting terms contained in the organization's guidelines for multinational enterprises approved in

It expanded earlier this year to areas rarely explored in intergovernmental talks, such as separation of accounts prepared for purposes other than financial purposes, the role of consolidated accounts, transfer pricing and translation of foreign currency transactions into local currency to correct for exchange-rate fluctuations.

The OECD also is examining the specific prob-lems involved in improving the comparability of accounts of banks and insurance companies.

# Debt Problems Becoming a Serious Burden Across Sub-Saharan Africa

By Carol Lancaster WASHINGTON — Bankers have been known to cringe at the mention of "an African debt crisis." They emphasize that African debt is small in global terms roughly 10 percent of the total debt of less developed countries - and African debt problems do not threaten the financial health of

creditors. But debt has become a serious burden for a number of sub-Saharan African countries, including Zaire, Sudan, Ivory Coast, Togo, Madagascar, Senegal, Malawi and Zambia. The ratios of their total external debt to gross national product and their annual debt service to export earnings are as high as they are for major debtors in Latin America or elsewhere. In some African countries, annual debt service payments actually exceed export earnings.

Much of the foreign debt carried

by African countries is public foreign aid loans made on soft terms to countries that are among the poorest in the world. However during the 1970s, a number of African countries borrowed substantially from private sources, mainly banks, on commercial terms. As a result, the proportion of commercial debt owed by African countries the report said. is approaching 40 percent of total medium-term and long-term debt.

Also, the average terms of loans prices for many of Africa's exports shortened and interest rates have

African countries first entered commercial markets for substantial countries, rose along with petro- growth. leum prices. Economic prospects for copper-exporting Zaire or for Sudan, which was seen as "the breadbasket of the Middle East," appeared bright, and banks were awash in petrodollars.

However, prospects for non-oil dimmed. Recessions in the late 1970s and in the early 1980s led to a primary-product exports. With the continuing rise in the prices of oil and manufactured-goods imports, African states not producing oil found themselves in a serious balance-of-payments squeeze. A number of governments again borrowed commercially to ease the impact on their economies of the sharp deterioration in their terms of trade.

Debt problems in Africa are not just the result of a short-term liquidity squeeze, to be endured until the world economy recovers and ports pick up. Prices for essential imports are unlikely to fall and

have hardened; maturities have are not projected to rise substantially in coming years. Thus, the Africans will have to make painful -and perhaps even politically disruptive adjustments - in their borrowings in the mid-1970s when economies. The challenge is to the prices of primary products, the manage their debt and adjustments principal exports of many of these without choking off economic

debt crisis, African countries have turned to the International Monetary Fund for standby agreements and extended fund facilities. As of the end of July 1983, 15 African countries had agreements with the exporting African countries soon IMF. Such agreements are not without conditions. They typically include restrictions on domestic decline in demand and prices for credit creation and on government expenditures, reduction or elimination of subsidies, limits on wage increases, tax reform and currency

African governments often have objected vigorously to IMF conditions on the grounds that they are so severe as to prevent growth, that they take a disproportionately heavy toll on lower-income groups, that their free-market orientation conflicts with the socialist policies of individual governments and that devaluation does little to expand demand and prices for their ex- exports but raises the price of imports and the domestic inflation

These criticisms often have an element of truth. But no one in or out of the IMF has been able to come up with a formula for dealing with economic adjustments that does not include painful reforms. Despite these objections, many governments desperate for balance of payments financing, have had little choice but to accept IMF conditions. An IMF program has become virtually a precondition for the rescheduling of public and pri-

vate debts. During the last three years, more African governments have had to seek debt rescheduling than any other regional grouping. By the end of 1981, 20 African countries were in arrears in their foreign debt pay-ments. From 1979 to 1982, of 17 countries seeking to reschedule their public debt through the Paris Club, 16 were African. A number of African countries, Zaire and Sudan in particular, have had to seek successive reschedulings as they have found themselves unable to service already-rescheduled debts. African governments with significant amounts of private debt also have had to reschedule these debts.

For a number of countries, IMF conditions have proven impossible to meet. In some cases, projections tries must increase their foreign ex- African affairs.

Liberia, Senegal and Sudan also

rescheduled their bank debt in

of economic growth or export earnernment credit - have proven too do not rise. risky for politicians to undertake or, once undertaken, to maintain.

Nigeria and South Africa represent special cases of African debt. Their debt is largely private, with South Africa having the largest and Nigeria the second largest debt in sub-Saharan Africa. In the case of Nigeria, the leveling off in oil prices has resulted in serious balance of payments problems, with shortterm debt repayments postponed and substantial arrears accumulating. The Nigerians have refinanced are negotiating with the IMF on a loan agreement.

The drop in the price of gold caused balance-of-payments difficulties in South Africa last year and the Pretoria government also turned to the IMF to borrow.

And so, what are the prospects over the coming years for African countries facing debt problems? Debt service payments are projected to continue to increase over the coming year. To meet these payments without choking off their economic growth, African coun-

ings have proven overoptimistic; in reducing imports and domestic other cases, policy changes re- consumption and, where possible, quired by the agreements — for they must obtain a larger inflow of example, reductions in subsidies on aid and commercial loans. They foodstuffs, or contractions in gov- also must hope that interest rates

Prospects are not bright for maior improvements in any of these areas. African export markets are likely to remain weak. They could weaken further if high U.S. federal budget deficits drive up interest rates and halt the economic recovery in industrialized countries. The return of recession could mean low world demand for raw materials and higher costs of borrowing. Domestic policy reforms, particularly in the face of continuing economic stress, will remain painful and risky some of their short-term debt and and governments are likely to move cautiously at best. There is a good possibility that aid flows to Africa will fall in real terms rather than rise if the United States sticks by its policy of reducing the total resources available to the International Development Association. the soft-loan window of the World Bank, which is low-income Africa's principal source of aid.

> The writer is director of African Studies at Georgetown University. She was formerly a deputy assistant secretary of state in the bureau of

# Société Générale is pleased to announce that, in 1982 and the first nine months of 1983 it lead-managed the following thirty-four Eurobond issues:

Sté d'Habitation du Québec,	Can. \$ 50,000,000	(1982-1988)
Banque Nationale du Canada,	Can. \$ 50,000,000	(1982-1988)
Ville de Québec,	Can. \$ 25,000,000	(1982-1987)
Fonds de Réétablissement		,
du Conseil de l'Europe,	ECU 25,000,000	(1982-1990)
Istituto Mobiliare Italiano,	US \$ 50,000,000	(1982-1992)
Province de Québec,	Can. \$ 50,000,000	(1982-1988)
Dome Petroleum,	US \$ 50,000,000	(1982-1989)
Ville de Montréal,	US \$ 100,000,000	(1982-1992)
Nacional Financiera SA,	Can. \$ 50,000,000	(1982-1987)
Province de Québec,	Can. \$ 50,000,000	(1982-1989)
EDF,	US \$ 100,000,000	(1982-1989)
CNT,	USS \$ 275,000,000	(1982-1990)
SNCF,	US \$ 150,000,000	(1982-1988)
Sociétés de Développement Régional,	ECU 30,000,000	(1982-1992)
Gas Metropolitan,	Can. \$ 20,000,000	(1982-1990)
General Motors Acceptance Corporation	7 TC C 400 000 000	(1000 1000)
of Canada, Limited,	US \$ 100,000,000	(1982-1988)
Province de Québec,	Can. \$ 50,000,000	(1982-1988)
Fonds de Réétablissement	ECU 30,000,000	(1982-1992)
du Conseil de l'Europe,	Can. \$ 75,000,000	(1982-1989)
Gaz de France,	Catt 3 73,000,000	(1302-1303)
Crédit d'Equipement des		•
Petites & Moyennes Entreprises,	ECU 50,000,000	(1982-1990)
CEPME,	US \$ 75,000,000	(1982-1992)
S.N.C.F.	Can. \$ 40,000,000	(1982-1992)
Gas Metropolitan,	Can. \$ 25,000,000	(1982-1992)
Ville de Quebec,	US \$ 125,000,000	(1983-1991)
Société Générale,	ECU 50,000,000	(1983-1993)
EEG.	US \$ 300,000,000	(1983-1993)
EDF,	US \$ 500,000,000	(1983-1988)
BECE,	00.000000000	(1705-1700)
Crédit d'Equipement des Petites	Can. \$ 50,000,000	(1983-1990)
& Moyennes Entreprises, C.E.P.M.E.,	ECU 50,000,000	(1983-1989)
Province de Québec,		
Ville de Montréal,	Can. \$ 50,000,000	(1983-1991)
Société Générale,	US \$ 200,000,000	(1983-1990)
Fonds de réétablissement	DOTTO - DATE	lanna access
du Conseil de l'Europe,	ECU 35,000,000	(1983-1993)
Province de Québec.	Can. \$ 50,000,000	(1983-1993)
The Industrial Bank		
of Japan Finance Company N.V.	ECU 40,000,000	(1983-1993)

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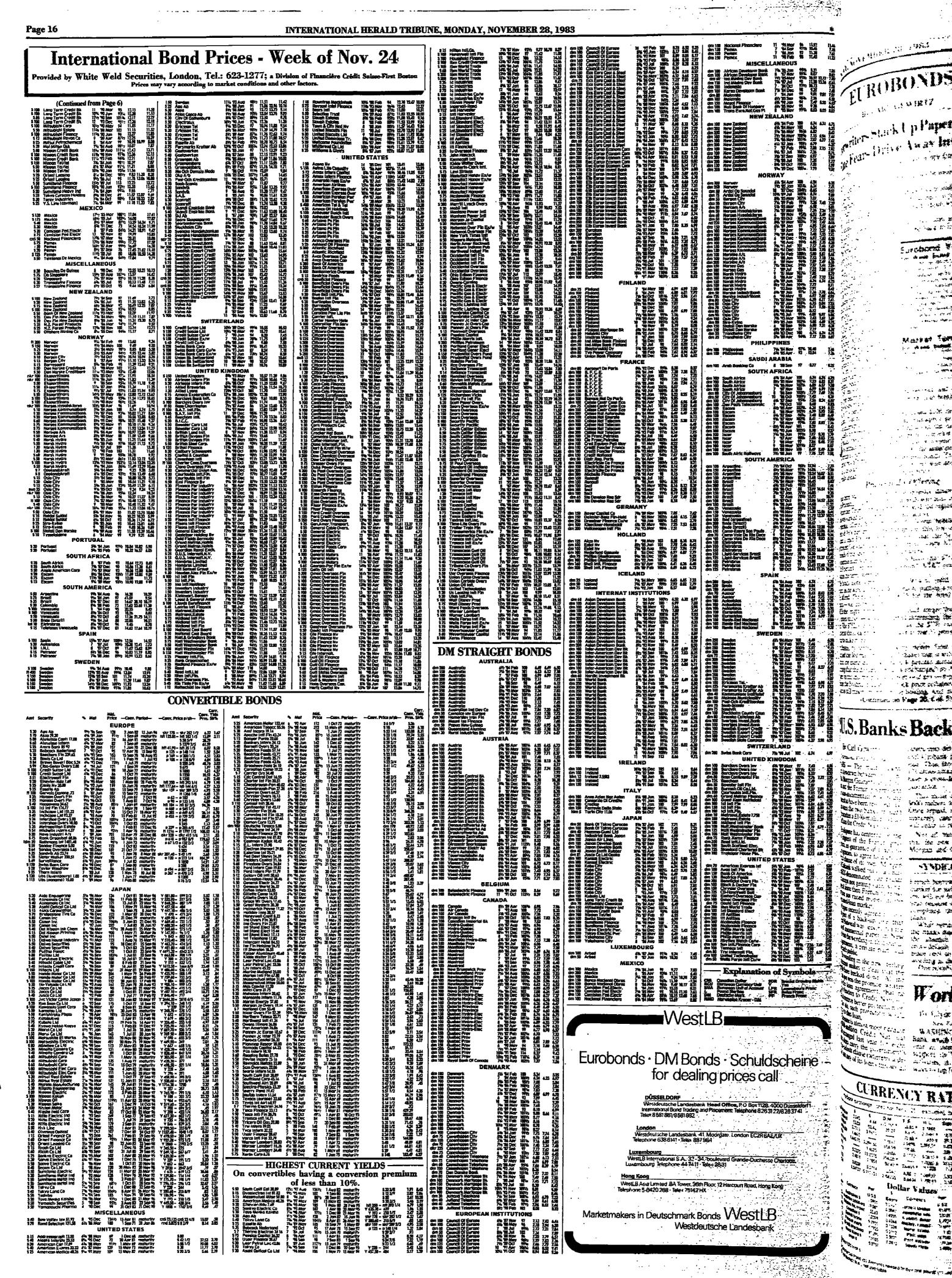


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A Contract of the Contract of

By CARL GEWIRTZ

## Underwriters Stack Up Paper at Profit On Secrets As Rate Fears Drive Away Investors

DARIS - Don't be fooled by the calendar of new Eurobonds with this

The continued flow of new issues should not be assumed to mean that

the conjumed how or new issues should not be assumed to mean man investors are buying bonds. They are not.

Rather, the paper is stacking up on the shelves of underwriters who are apparently happy to do this since it can be done at a profit and, equally apparently, are undamnted by investor fears about which way interest rates are headed.

Unless there is some dramatic signal that rates are headed lower, bankers admit; investors are not likely to be back in force until the new

**Eurobond Yields** 

For Week Ended Nov. 23 Int'l last is term U.S.S Ind. lons term, U.S.S Ind. mestivin term, U.S.S Con.S medium term

int's inst. to term yen \_\_\_\_\_ ECU medium term \_\_\_\_\_ EUA long term \_\_\_\_\_ Int's inst. to term FLx \_\_\_\_

**Market Turnover** 

For Week Ended Nov. 25 (Millors of U.S. Dellors)

10.60 % 10.55. % 10.06-%

year. The nondollar segments of the market ironically suffer from the additional burden of a

strengthening dollar. While most analysts agree that the dollar is overvalued, the rise in value does not attract investors to buy Deutsche marks at what must be a cheap rate, but rather frightens them about how much higher the dollar still might climb."

The dollar sector of the market also suffered from the oversupply of bank paper. Allied Irish Bank, Bank of New York and European-American Banking Corp. offered floating-rate notes. Bank of Tokyo sold \$100 million of seven-year bonds at par bearing a coupon of

sued \$100 million of five-year notes at par bearing a coupon of 11% percent, and DG Bank offered 75,000 of six-month warrants to buy seven-year bonds at par bearing a compon of 11% percent. Belginm's floating-rate note was increased \$100 million to \$400 mil-

bion, but underwriters outside the lead manager's group said they had sold virtually no paper and were baffled about the increase McDonalds, the only corporate issuer of fixed-rate streight debt, was also slow to attract investors. Its \$75 million of 10-year bonds were priced at par bearing a couprin of 11% percent. At the same time, it sold five-year warrants to buy \$75 million of 11% percent bonds. The bonds ended the week at a discount of 1% points while the warrants, at \$18,50, were fractionally ahead of the \$17.50 offering price.

Prudential's Offering

While there was some evidence of investor desire for equity-linked paper, Prudential's offering of bonds with warrants to buy shares of the new American Telephone & Telegraph and the regional telephone companies was viewed as not especially attractive.

Prudential offered \$150 million of 10-year bonds at par bearing a company of 10% percent in explanation for this low courses. Productial

coupon of 10% percent. In exchange for this low coupon, Prudential attached to each \$10,000 seven warrants that can be exercised anytime over the next five years. Each warrant buys 10 new AT&T shares and one share each of the seven regional compani

To exercise each warrant an investor has to pay \$752.50 — a price that was 15.3 percent over the old, predivested, AT&T price quoted Wednesday when the terms were set.

The bonds alone were quoted at \$0% to yield 11% percent. The warrants alone were quoted at \$110 each, putting a value of \$770 on the seven offered. The package — \$9075 for the bond plus \$770 for the warrants — was quoted at 981/2

While the length of the option - match longer than available on any U.S. option market — was considered interesting the offer did not come cheap. The \$752.50 exercise price plus the \$770 value of the warrants means that the stock price would have to rise 31 percent before investors

Productial, by contrast, is making money from the start. If it has purchased the \$60 million worth of shares that it will need to issue if the warrants are exercised, it will earn 8 percent annual dividend income (assuming that the dividend remains unchanged) on the stock. Admittedly, taxes on this income, plus whatever—if any—expense it has incomed to hedge the holding in case the stock price collapses, reduces the gain.

But it is still making money on the holding. And, not to be forgotten, it (Continued on Page 20, Col. 5)

# **IBM Files** Big Lawsuit

By James Barron

New York Times Service NEW YORK - International Business Machines Corp. filed a \$7.5-billion lawsuit Friday against National Semiconductor Corp. in the latest chapter of its continuing fight to protect what it says are its trade secrets.

IBM had previously sued Na-tional Semiconductor and a wholly owned subsidiary, National Advanced Systems, on charges that the company, which makes memory chips for computers, and Hitachi Ltd. of Japan cooperated in a joint espionage campaign to steal IBM product plans. The charges grew out of a federal investigation last

The spokesman for National Semiconductor, which is based in Santa Clara, California, was not at home Friday night and could not be reached for comment.

IBM has already reached out-of-Total Dellar Besivation Cedel 7,534.20 5,782.80 1,751.40 Eurocleor 14,989.60 13,564.00 1,425.60 dozen other companies and indi-viduals, including Hitachi, that it accused of stealing or trading in its

Peter Kuhn, a spokesman for IBM, said Friday night that the company had filed the new suit because it had been unable to come to terms with National Semicon-

"There have been negotiations going on virtually the whole time since we filed the suit," Mr. Kuhn said. "There is still the possibility that a settlement will be reached before a trial is actually held, but at some point you have to decide whether you'll proceed with the litigation, which is essentially what

Hitachi was named in the suit Friday, which was filed in U.S. District Court in San Francisco, but Mr. Kuhn said the suit contained no new charges against Hitachi. The Japanese company was cited only because the IBM material that Hitachi purportedly obtained had come from National Advanced Systems, he added.

He said Friday's suit had no effect on the settlement reached in October with Hitachi. Included in that settlement was a clause giving IBM the right to inspect Hitachi's products for five years. Hitachi agreed to pay legal costs and the companies set up a system for re-solving trade disputes in the future. In a court appearance 10 days-ago, Thomas Barr, a lawyer for IBM, told U.S. District Judge Spencer Williams that National a year's research and develop- a cutoff of credit from Western

# U.K.'s Sale of 25% of C&W Shares **Probably Will Draw Many Investors**

By Bob Hagerty onal Herald Tribune

LONDON - Britain's Conservative Party government, intent on selling off state-owned compa-nies as quickly as possible, will have to strain to

unload some of its debt-gorged behamoths. This week, however, the government is making what is likely to be one of its easiest sales. On offer is nearly 25 percent of Cable & Wireless PLC, the telecommunications company that started life wiring together the British Empire.

Kenneth Baker, minister for information technology and no slouch at salesmanship, recently boasted that C&W's chairman, Eric Sharp, "has transformed the company and changed its image of a network of wireless telegraphy stations manned by chaps in long khaki shorts to the most dynamic company in world telecommunications." London share analysts do not go quite that far in

their praises of Mr. Sharp, a onetime violin and acting student who took over C&W three years ago and who says he relaxes by baking his own bread. But they do say that Mr. Sharp and his team have tightened accountability and cost control while giving C&W's far-flung managers authority to ex-

ercise entrepreneurial flair.
"Sharp's put a bit of zip into the business," says one analyst. As a result, says another, Michael

tally much more attractive than British Telecom. the giant telephone monopoly. The government plans to sell 51 percent of BT next autumn.

This week, the government is selling 100 million C&W shares for a minimum of £2.75 (\$4.02) apiece, reducing the state's holding to 23 percent from 45 percent. After announcement of the terms Friday, the shares closed at £2.95, up 2 pence on the day. Applications for the shares are due this Friday, and priority will go to the highest bidders.

The sale will raise at least £275 million, and probably considerably more. Two years ago, the government received just £224 million for half the

Such has been the rise in the City of London's esteem for C&W.

Two weeks ago, however, the market got a reminder of the long-term, capital-intensive nature of the business. The company reported that pretax profit for the first half ended Sept. 30 rose 16 percent from a year earlier to £80 million, on revenue of £13 million. That disappointed analysis aunning for faster ground after last year's lysts gunning for faster growth after last year's unforeseen 76 percent profit surge.

C&W's main business is providing telephone services under franchises granted by 29 countries.

## (Continued on Page 21, Col. 6) **U.S. Recovery Seen Slowing Further**

By Kenneth N. Gilpin New York Times Service

WASHINGTON -- In keeping with the pattern of postwar eco-nomic expansion, the pace of the current recovery has slowed after a vigorous, initial rebound from recession. Growing evidence suggests

that the pace is likely to moderate further during the fourth quarter. The eight-tenths of I percent rise in industrial production in October was the lowest since February. Housing starts have declined for the last two months. And auto sales for the middle 10 days of November were relatively flat, remaining at an annual selling rate of slightly less than seven million.

For the time being, economists

paced, but solid, recovery.

ter and through next year - low inflation and a sustainable recovery," said Edward Yardeni. chief economist at Prudential-Bache Se- this year was clearly not sustaincurities. "I didn't think that was possible a year ago.

Indeed, the trend has been a pleasant surprise to those who a year ago worned that huge federal budget deficits, high real and nominal interest rates and a record trade deficit would produce a sputtering, tepid recovery from the worst recession since World War II. But the recovery that has emerged is, by historical standards, a more famil-

aced, but solid, recovery.

Bank in Los Angeles, said: "We think growth in the fourth quarter possible worlds in the fourth quar- will be on the order of between 5.5 percent and 6 percent.

"Since growth achieved during the second and third quarters of able, we think this forecast is highly desirable."

In its most recent polling of more than 40 economists, taken earlier this month, Blue Chip Economic Indicators, a newsletter published in Sedona, Arizona, said most analysts were expecting output to increase 5.5 percent this quarter.

As with most of its predecessors, the initial momentum to the current recovery has been provided by ar animal. sharp increases in consumer spend-Robert T. Parry, an executive (Continued on Page 20, Col. 4)

# Manila Seeking Rescheduling of **Much of Its Debt**

MANILA - President Ferdinand E. Marcos said the Philippines wants to reschedule loans from foreign governments due for repayment in eight to 10 years.

The presidential palace said in a statement Saturday that Prime Minister César Virata and the central bank governor, Jaime Lava, will go to Paris for talks this week with an international consortium dealing with the Philippine government's debts.

Mr. Laya earlier said the government would approach the so-called Club of Paris to help the Philippines reschedule loans with easy terms from industrialized countries. The Club of Paris is a group of representatives from industrial-ized nations that handles government-to-government debt.

The plan is separate from current negotiations for a rescheduling of about \$3 billion owed to 350 foreign banks, which officials hope can be settled in January.

.Government officials have not indicated the sum involved in restructuring loans from developed countries, but it will be substantial because a major part of the country's \$24-billion foreign debt is

Mr. Marcos said: "What we are talking about is possibly restructuring the loans that are most bothersome and are due for another eight to 10 years.

He said the government was also trying to raise new money, which he estimated would be \$500 million to \$2 billion, to pay for imported raw materials, spare parts and new equipment, in addition to oil, grains and fertilizers.

would hold separate talks with for- and aid.



Ferdinand E. Marcos

eign financial leaders this week before going to Paris.

Prime Minister Yasuhiro Nakasone of Japan had promised U.S. President Ronald Reagan that Japan would help the Philippines resolve its current economic problems, Mr. Marcos added.

The palace statement said central bank officials were now in Japan working out details of a linancial program.

Mr. Marcos also said the country's energy minister, Geronimo Velasco, was negotiating increased oil supplies in the Middle East. He said the response had been positive but did not give details. The sup-plies would be in addition to I million barrels of oil China has promised the Philippines.

He added Mr. Laya would probably join Mr. Velasco in the Middle East to find out whether the region He said Mr. Laya and Mr. Virata could be tapped for investments

# Poland Said to Resell Libyan Oil at Loss to Gain Hard Currency

By John Kifner New York Times Service

WARSAW — The Polish government is taking a loss of up to \$8.4 million reselling Libyan oil on the open market in a bid to earn

hard currency to prop up its economy, industry sources say. The decision illustrates the plight of the Polish economy, heavily de-Spencer: Williams that National pendent on Western raw materials Semiconductor "got the benefit of and spare parts and severely hit by

overall debt to obtain dollars needed to buy Western materials.

Poland's foreign trade minister. Tadeusz Nestorowicz, said at a recent news conference that Libva. one of the few countries extending credits to Poland, had granted \$230 million in credits to allow Poland to purchase more than 7 million harrels of Libvan coude.

Poland is now increasing its money we need." He declined to terdam in the Netherlands, as over- to Libyans and to the Palestinians disclose the prices involved, add- supply has weakened demand. ing: 'No country in the world would give you this information."

Oil-industry sources noted that under guidelines set by the Organization of Petroleum Exporting Countries, Libyan Zuetina crude carries an official price of \$30.40 a barrel. These sources said that, giv-en OPEC pressure on its member

Asked if the oil was being used nations, it was unlikely that Libya might have granted Poland domestically or being sold. Mr.

Nestorowicz replied: "We are sellBut Zuetina crude is selling at because Poland has supplied mili-

Thus Poland would suffer a loss of \$1,20 a barrel, or a total \$8.4 million if it resold all the Libyan oil at that price.

Such resales would still yield more than \$200 million in hard currency, sources say. But they add that Warsaw likely has to pay Lib-ya interest on the loan. They say

they support. An oil market specialist and pro-

fessor of economics at the University of Colorado. Ragaei el-Mallakh, said that although he did not believe Libya was selling oil to Poland at a discount, "I am 95 percent sure there would be some political content in these credit arrange-

Reports have circulated among dissident circles in Waraw for some weeks that Poland was buying oil

# 2U.S. Banks Back Down Over French Guarantee

By Carl Gewittz

PARIS - The much talked about showdown between two U.S. banks, Morgan Guaranty and Citibank, and the French government over loan-documentation wording appeared to have been resolved last week when the two banks brought to the market a £100-million syndicated loan for Credit National.

The dispute has centered on the unwillingness of the French government, as guarantor of loans by state agencies, to agree to a cross-default clause of its own. Morgan and Citibank walked out of an earlier ECU-denominated loan rather than accept not getting such wording and since then French borrowers have not raised money in the syndicated-loan market.

Morgan recently agreed to provide part of a back-up line that Crédit National was seeking for the sale of commercial paper in New York but the wording in that standby agreement, a private pact, was

The wording in the new sterling agreement makes it clear that the canks have backed down. All the banks got was the promise, written into the loan agreement, that no future lenders to Credit National would receive better protection or, if they do, such protection would apply to this loan.

The issue is almost moot becaus \$600-million Credit National ldan arranged last year for eight years does carry the government's cross-default clause (whereby a default on any of its loans throws all

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have a cross-default clause of the

This exists only so long as the \$600-million loan is outstanding. Once repaid, or prepaid and pre-maturely canceled, this coverage will cease to exist.

that the new wording agreed by Morgan and Citibank will enable

market for substantial loans. That test will not be made until the new year because the French have now completed their 1983 borrowing

ording in the end.

operations in the country. In any event, the terms are a very

Not all bankers are convinced

French borrowers to tap the dollar

SYNDICATED LOANS

What remains a mystery is why the banks made such a fuss about the absence of the guarantor's cross-default clause in the first place only to settle for such limp One possible explanation is com-

certain position with the French because both banks have important

competitive %-point over the interbank rate for the first four years and half a point over for the final This same demand for quality

assets explains the equally low conassets explains the equaly low conditions that Belgium has won on its \$600-million, eight-year loan. It will pay an equally split margin of %-½ point over Libor. The average life of this loan will be 6% years with semiannual repayments be-

ginning after a grace period of 31/2 The relative pancity of loans from countries free of debt problems also explained the \$50-million increase in Algeria's loan to \$750 million. The linal amount may be raised further, depending on how much money is raised in general

others into default). Both Morgan petitive pressure — the need for and Cribbank participated in that quality loans in a year when lending volume is generally down very successful syndians cross-default clause, the banks sharply and the need to maintain a cation, with 20 percent raised from the market outside the underwriting managers.

New to the market this week is a \$75-million loan for Cia. Sevillana de Electricidad, Seville's electricutility company. Half the loan will run for seven years, with interest set at %-point over Libor or %point over the prime rate. The other will run for four years, with interest set either at %-point over Libor or half a point over the prime rate.

One of the more interesting operations to come to the market in a long time is the offer for sale of \$40,024,116.81 of promissory notes payable by the Foreign Trade Bank of the USSR. The notes are held by Italsider and Finsider, the Italian steel companies, and are to be offered in the market at 1% points over Libor.

The Russians pay a fixed 7.45 percent rate of annual interest and Italy's state-owned credit bank

#### U.S. Tool Orders Up 70% in Oct. From Year Ago

New York Times Service NEW YORK — The National Machine Tool Builders' Association announced Sunday that machine-tool orders were up 70 percent in October from

vear-earlier levels. But it said in a report that the level of orders last month was still depressed. James A. Gray, the association's president, said, "In early 1980, monthly machine-tool orders averaged over \$500 million per month, versus \$203 million in Octo-

Orders in October were 30 percent above September levels. Shipments were 9 percent more than in the previous month but were 29 percent below levels in October 1982.

Eli S. Lustgarten, an analyst with Paine Webber Mitchell Hutchins, said: "It's clear the worst is over for the machine-

#### **Economy Seen the Major Rate Arbiter** By Michael Quint New York Times Service

NEW YORK — The pace of the For Week Ended Nov. 25 U.S. economic expansion is slowing, and money-supply growth has dropped to within or below the targets set by the Federal Reserve. Both these conditions were key ele-

U.S CREDIT MARKETS

ments in forecasts of lower interest rates, which are still circulating even though rates are higher than

some expected. For example, the 11.62 percent yield on 12 percent Treasury bonds due in 2013 is down slightly from 12.08 percent in early August, but is well above the 10% percent yield for 30-year Treasury issues in early

"With money supply in bounds, and the economy slowing as pro-jected, it would not be appropriate to abandon our forecast of a slight decline in rates, with federal funds at 8% percent or 9 percent in the first quarter of next year," said Thomas Thomson, chief economist at Crocker National Bank.

Analysts agree that the final arbiter of interest rates will probably be the economy's showing. David Jones, an economist at Aubrey G. Lanston & Co. who sees the tilt to interest rates "stable to firmer," noted that inflation-adjusted economic growth at a 6 percent annual rate in the current quarter is down from 7.7 percent and 9.7 percent in the two previous quarters, but "is still probably higher than is consistent with sustained long-term growth with low inflation."



U.S. Consumer Rates

Tax Exempt Bonds Bond Buver 20-Bond Index. Money Morket Funds Donoghue's 7-Day Average Bank Money Market Accounts Bank Rate Monitor Index

Hopes that the central bank would soon encourage lower shortterm interest rates may have been dampened late Friday after the Fed had announced that bank reserves became scarcer in the week ended

The announcement came after an early 2 p.m. closing by major brokers and dealers in the Treasury market, so there was no trading

response to the new data. Fed data showed that the banking system borrowed an average of \$688 million from the Federal Reserve in the week ended Nov. 23, excluding seasonal and other special loans. Combined with \$408 million of excess reserves held by some institutions, the banking system had an average net borrowed reserve position of \$280 million, up \$25 million from the previous

The Fed's report on the money supply, however, was held over be-cause of the holiday and was to be Nov. 23, rather than more plentiful as many analysts had expected, released Monday.

## Even Portugal's \$350-million World Bank to Try to Tap Fresh Sources of Money

By Clyde H. Farnsworth

New York Times Service WASHINGTON — The World Bank, which borrows \$12 billion a

They said that management will submit to the Board of Governors a

as the International Bank for Reconstruction and Development, is

Banks would be able to invest for up to a year and yet be able to withdraw their money at two days' notice without a penalty. Bank officials said the facility would probably pay interest at a slightly higher rate than comparable U.S. Trea-

would rise. Asked whether the bank expected interest rates to continue falling, one high official said, "We don't

the future." bonds can be converted into cash at or close to par at the end of six months, thus avoiding a substantial

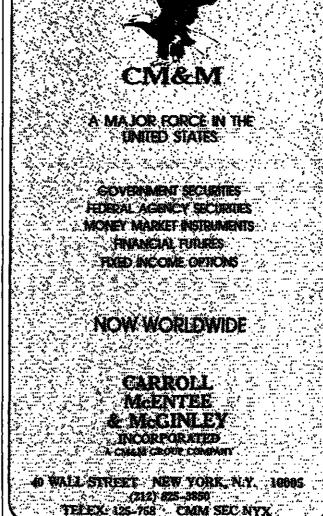
It is expected that the floating interest rate on six-month Treasury notes. Currently they yield a little

**DEVOE-HOLBEIN** INTERNATIONAL, N.V. Wall Street officers who follow

"They should strengthen the bank and help reduce borrowing derwrites World Bank borrowings.

Although the bank has been shaving its lending rate, which is currently 10.47 percent, it made a record \$752 million in profit last year. Total lending commitments by the bank and its affiliates last year approached \$16 billion. To support the lending programs it borrows extensively, and is the world's biggest international borrower. Last year it raised the equivalent of \$10.3 billion.

Gold : 375.75376.25



#### year in international markets to proposal to sell floating-rate bonds for the first time, and that the bank support its Third World lending activities, is about to adopt new take a view on interest rates, but we could raise as much as \$500 million ways to tap fresh sources of money in this way before the close of its fiscal year next June 30. Floating-rate bonds pay interest **CURRENCY RATES** that is adjusted to going short-term interbank exchange rates for Nov. 25, excluding bank service charges

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are falling, However, if rates rise, the cost of the borrowed money comed the innovations.

rates at regular intervals, usually every six months. Approval by the board is expected early in 1984. The officials also said the 144nation institution, known formally

designing a new investment vehicle to attract surplus funds of central banks, and hopes to raise as much as \$750 million from this source once authorization is obtained.

The advantage of floating-rate bonds to the borrower, market spe-cialists said, could be somewhat

work as an option for borrowing in The advantage to the lender is that the market value of the bonds will not decline if interest rates rise. This is important to many institutional lenders because it means the

capital loss if the funds are suddenly needed. rate bonds will be pegged to the

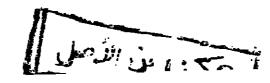
1.512 Asked U.S.\$1.74 As of November 25, 1983 PIERSON, HELDRING & PIERSON N.V. Herengracht 214, 1016 BS AMSTERDAM, The Netherlands Phone: (0) 20-211188, Tele: 12116

costs even more," said the partner of one investment house that unwant to establish this new frame- who asked not to be identified.

Gold Options (prices in \$/02.) Prices Nov. Feb. Hary. 300 Nov. Long 820-1000 1827-2075 400 pox sep at 375 525 10001/200 400 1120 arx 200 350 520 650 450 23 Nov. 63 075 173 230 440 Valeurs White Weld S.A. I. Quai da Mont-Blanc 1211 Geneva 1, Switzer

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Page 18 INTERNAT	TIONAL HERALD TRIBUNE, MONDAY, NOVEMBER 28, 1983		
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# WE BELIEVE GULF MANAGEMENT'S **OYALTY TRUST ANALYSIS** WRONG

#### **Dear Fellow Gulf Shareholder:**

Gulf is circulating proxy materials dated November 16, 1983 addressed to institutional holders of Gulf stock. These materials purport to analyze the valuation of Gulf common stock after creation of a royalty trust with a 75% net profits interest in Gulf's U.S. oil and gas reserves. We are amazed at the low value placed on Gulf by its own management in these materials.

In our opinion, Gulf's materials reflect a gross undervaluation of Gulf. Gulf's materials assign an absurdly low value of only \$5.10 per share for Gulf Oil common stock after creation of the trust. This value is wrong for the following reasons:

Gulf Oil Corporation, after a 75% royalty trust, would have a book value estimated at \$40 to \$45 per share. Gulf's \$5.10 per share market valuation would mean that the company's stock trades at only 11% to 13% of book value. In today's market, major oil company stocks generally trade at 70% to 100% of book value.

Gulf Oil Corporation, after a 75% royalty trust, would have cash flow in excess of \$11.00 per currently outstanding share. Major oil company stocks trade at 2.5 to 3.5 times cash flow, but Gulf management is suggesting that its own stock would trade at a meager 0.5 times cash flow.

After a 75% royalty trust, Gulf's remaining operations would have a J. S. Herold valuation estimated at \$62 per share (after adjusting Herold's most recent value of \$114 per share to eliminate 75% of the value assigned to U. S. oil and gas reserves). Gulf's \$5.10 per share valuation represents only about 8% of this adjusted Herold's valuation. In reality, major oil company stocks trade at 35% to 50% of J. S. Herold valuation.

Gulf Oil Corporation, after a 75% royalty trust, would have over \$30 billion of revenues, \$16 billion of total assets and \$1.9 billion of annual cash flow. Yet Gulf management would have you believe that the company would have a total market value of only \$840 million.

Gulf Oil Corporation, after a 75% royalty trust, would continue to own 137 million shares of Gulf Canada Ltd. Based on the current price for Gulf Canada on the American Stock Exchange of about \$14 per share, each share of Gulf Oil would have an underlying \$11.62 in market value of Gulf Canada stock. This value alone amounts to more than two times the \$5.10 valuation for the whole company contained in the Gulf materials.

SIXTH:

Gulf Oil Corporation, after a 75% royalty trust, would in our opinion have sufficient cash flow to continue to pay annual cash dividends in the range of \$2.00 to \$3.00 per share. Therefore, on the basis of Gulf management's \$5.10 per share valuation, the annual dividend yield on the stock would be an incredible 40% to 60%.

SEVENTH:

Gulf uses a multiple of only 5.3 times cash flow in valuing the royalty trust units. This multiple is unsupportably low in comparison to the multiples of eight to ten times cash flow which apply in the real world to other royalty trusts. We believe this low multiple is particularly inappropriate in light of Gulf's annual development expenditures of \$700 million, which should result in increased reserves and an extended productive life for the properties. We believe that a multiple of 8 to 10 times annual cash flow of \$6.75 per unit is more appropriate.

During the past five years, Gulf has spent \$9.1 billion on operations other than U. S. oil and gas. This equals \$55 per current share. Does Gulf management really believe that those operations plus the retained 25% of U. S. oil and gas reserves would have a value of only \$5.10 per share?

We believe the foregoing demonstrates that Gulf has grossly understated the value to shareholders of the royalty trust and the remaining company and shows a basic misunderstanding by Gulf and its advisors of the impact of a royalty trust on Gulf. We strongly believe there is substantial value in Gulf, and that the value can and should be realized for all Gulf shareholders. We urge you not to base your vote at the December 2 special meeting on Gulf management's royalty trust analysis which we believe to be erroneous.

# **Don't Be Confused About Taxes**

Gulf Management has repeatedly claimed that a royalty trust is not good for individual shareholders.

Remember: The Gulf Investors Group consists of both corporations and individuals. These investors all believe the enhancement in the value of Gulf stock which could be achieved by a trust would substantially exceed the related tax liability for both individuals

and corporations. Remember: Other shareholders, both individuals and corporations, have overwhelmingly supported royalty trusts when given the opportunity. Holders of over 96% of Mesa's, Southland's and Sabine's shares voting on the creation of trusts supported their companies' royalty trust distributions.

Remember: Our goal is the same as yours. We are working to increase value for all shareholders.

# **Don't Give Up Your Rights**

Gulf management's reincorporation proposal is a defensive move to eliminate important shareholder rights.

- All shareholders lose their right to cumulative voting in the election of directors.
- Gulf shareholders lose the right of a 10% holder to require Gulf to submit proposed charter amendments to a shareholder vote.
- Gulf shareholders lose the right of a 20% holder to call a special shareholders meeting.
- REMEMBER: You don't have to decide whether you are for or against a royalty trust at this time. The most important thing for you to decide is whether you want to preserve your right to have shareholder ideas such as a royalty trust come before you at some future time.

#### YOU CAN CHANGE YOUR VOTE

Even if you have already voted for the reincorporation proposal, you have every legal right to change your mind and vote AGAINST on a later dated BLUE proxy card. Since time is short, please mail your proxy today in the envelope that has been provided to you. If you are concerned that your vote may not be received in time for the December 2 meeting, please call our proxy solicitor for immediate assistance:

Toll-Free 800-221-3343 212-619-1100 (collect)

#### **VOTE AGAINST MANAGEMENT'S** REINCORPORATION PROPOSAL.

Thank you once again. On behalf of the Gulf Investors Group

Brone Pilhum A. T. Boone Pickens, Jr.

Allied Irish Bank

Bank of Tokyo

Dg Bank Finance

Europeon-Amer: Bankins

McDopolis Finance

McDonalds Finance

Mitsubishi Heavy Ind.

Prudential O'seas Fond.

Prudential O'seas Fund

Security Pac. Not'l 8k

Veba Int'l Finance

Int'l Standard Elec.

Veba Int'l Finance

Credit National

**European Community** 

Bank of New York O'seas

# Athens Seen Trying to Discredit Private Industry

By Paul Lewis

New York Times Service ATHENS - When Andreas Papandreou's Pan Hellenic Socialist Movement came to power in Greece two years ago, George A. Tsatsos, one of the country's leading industrialists, made an effort to establish cordial relations with the new administration.

The effort, he now acknowledges with a wan smile, did not work. Indeed, he has become the prime target in what Western diplomats see as a government campaign to discredit private industry by blaming it for both the country's deepening economic malaise and the Socialists' failure to make good on many of their promises.

Mr. Tsatsos used to be managing director of Heracles General Ce- \$14. ment. Europe's biggest cement pro-ducer and one of Greece's few successful big companies. Its sales totaled \$350 million last year equivalent to almost 1 percent of the Greek economy's total output. He and his family are also the company's largest private shareholders, with about 20 percent of the capi-

tried to make peace with the Social-

ernment opened a tirade in the "economic sabotage." press against business corruption

leaving the country. The Heracles executives, denying any impropriety, resigned. They complained that the government had pronounced them guilty without holding a trial. A new ment, took control of the company. On the Athens Stock Market, Heracles shares slumped to \$4 from

The attack on Heracles is one of several government actions that have created fear and uncertainty in the Greek business community.

In a newspaper interview, for instance. Prime Minister Papandreou said right-wing Greeks had set up a secret \$120-million fund in Chicago with the aim of undermining the Greek economy. Opposition leaders demanded proof, but nothing more has been heard of this charge.

bers to discuss economic problems. private sector and say they are toward an economy that will have In September, however, the gov- seeking industrialists guilty of central control of all activities."

The minister of national econoin general. This was followed soon my. Gerasimos Arsenis, has said he ativity but also the ability to operafterward by government accusa- knows of 45 bank directors (not tions against Mr. Tsatsos and 12 identified) who have made "abutop Heracles executives of sive loans." And he has promised \$100 million worth of fraud and that the government, already nacurrency smuggling. Legal pro-tionalizing the pharmaceutical in-ceedings were opened against them dustry, will take control of Peirakiand they were prohibited from Patraiki, a troubled textile company.

The Socialist press regularly publishes the names of companies that supposedly are about to suffer the same fate as Heracles. After France's Socialist government asboard, appointed by the govern-serted that it had obtained a list of foreigners with secret accounts in a major Swiss bank, Prime Minister Papandreou said he had asked President François Mitterrand for

a copy of the list. The Greek business community has begun to strike back. In a speech in October, Theodore Papalexopoulos, president of the Greek Industries Federation, denounced the attack on Heracles, saying that it had "caused serious damage" to the company and to society as a

He said government threats were creating an impression "that naists by never criticizing them and by calling on Prime Minister Papandreou and his Cabinet membranes. With 50 percent of Greek production already in state hands, er, of all private enterprises is imministers talk of "socializing" the minent and that we are moving

Such a climate, he went on, "destroys not only entrepreneutial cre-

ate on a day- to-day basis, with grave consequences for the whole economy. Mr. Teatens describes the attack on his company as "political." The government always knew what Heracles was up to, he declared.

since it controls the company through a 40 percent stake held by the state-owned National Bank. which has four directors on the company's board. Shell companies, he said, were

set up abroad not for currency smuggling but to hide the identity of Arab business partners who helped Heracles diversify into cement-carrying after the first oil-price shock. The company became major supplier in the Persian Gulf area, winning 8 percent of the world cement trade.

Greece's Socialists. Western diplomats feel, have ample reason for distracting their supporters' attention from everyday realities.

The Greek economy continues to crumble. Production has been declining since 1981, inflation is at a 20 percent annual rate, the budget deficit remains enormous and unemployment is 8 percent and rising.





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## U.S. Recovery Is Slowing

inflation-adjusted gross national and 7.7 percent in the third quarter. modest increase in prices, and

With an increase of four-tenths Computer Products of the United of 1 percent in the Consumer Price Index in October, for example, inflation so far this year is running at an annual rate of 3.9 percent.

most sure to continue, but economists said that housing activity and consumer spending are unlikely to rise from current levels.

down and a modest rise in the per-

(Continued from Page 17)

In large part because of strength in those three areas, the product expanded at a 9.7 percent rate in the second quarter this year. That was achieved with only a economists expect that low infla-

Rapid inventory buildup is al-

Alan Greenspan, president of l'ownsend-Greenspan, an economic consulting firm, said: "It is true that with realized capital gains on homes, stocks and bonds slowing sonal savings rate, consumer markets will not be the major leaders they have been in the first part of

ing, a marked rise in housing activity and growing replenishment of companies' stocks.

Rate Concerns Drive Away Eurobond Investors

Each \$1,000 bond carries two the same price. Without the warrants, the dollar

> were cut from the initial offering of transaction and the net cost to the but ended the week at \$10 bid. \$14

itates. The issue was cancelled.

from VEBA, the West German en-

year bonds bearing a coupon of 4

Better received was the offering

Trust has a client willing to swap ket, a Japanese firm must be at transaction would be val the cost of the 11's percent bonds least a joint lead manager or the nearly \$300 million.

into floating-rate money for DG first, out of alphabetical order, cohas raised \$150 million at a very Bank. But the client does not want favorable rate of interest of 10% to carry this exposure for more than six months.

Amount

\$100

\$ 75

-\$100

\$400

\$125

075

\$100

4\$150

0.10

\$100

\$ 70

DM 80

рм150

DM100

DM300

£190

ECU50

2003

6 mos:

1994

1993

1993

1990

An outright flop was the planned issue of \$20-million convertible for market last week came from Japan. The major news about the swap where the Finance Ministry, in a rare departure from its normally secretive ways, spelled out new from VEBA, the West German en-ergy holding company. It offered the dollar and the Swiss franc \$70 million of 10-year bonds bear-through foreign bond issues by priing a coupon of 8 percent and 300 vate Japanese borrowers. Up to million DM (\$111 million) of 10- now, currency swaps have only been allowed for bonds guaranteed

by the government The action follows a government warrants to buy, in all, 21 shares at decision this month to allow priprice of 166 DM each. Each vate Japanese firms to float Eur-1.000-DM bond carries two war- oyen bonds. The changes all take rants to buy, in all, eight shares at effect on the same date, next April

The instruments to be swapped bonds were trading at a discount to need not be public offerings, as was yield 12.7 percent and the DM the case, and it will no longer be bonds at a yield of 8 percent. But as necessary to divulge who the couna package, reflecting the value of terparty is. But the swap must be the warrants, the dollar issue was arranged through an intermediary. trading at a premium of 10112-103-Required to be reported to the and the DM bonds, at 102%-103%. Finance Ministry, however, is the The DG Bank warrants, which forward exchange rate used in the

For the Euroyen market, the offered. The short six-month life ministry's only restriction is that was considered particularly unat- the lead manager must be a Tokyoincorporated (that is. Japanese) se-Explaining that short life is the fact that Manufacturers Hanover arranged in the U.S. domestic mar-

99

100

Price

While the bond issues may not cost companies any less than in the domestic market, one big difference is that all domestic corporate bond issues are guaranteed whereas this, it is expected, will not be needed abroad - at least not for the top-rated companies. But most important, the moves are expected to lter rigid domestic market practices and add more competition to the setting of terms and conditions.

The swaps will also allow companies to shop for interest charges that are below those offered at

In the DM sector, bankers comues was too big for the current level of investor demand. The 80-

NEW YORK - Dorchester Gas

Corp. of Dallas said that a private

Dorchester Says Firm Wants to Buy It

financing for a possible buyout of that day up \$3.50, at \$10 trading of 182,800 shares.

price of \$17.25 Friday on the buyout had not been determine

million-DM issue for Fecsa, the Spanish electricity utility, had the a offering price cut from the indicaled par to 99. The latest issue to be la

Each 1,000 Deutsche mark bond come

was 250 million DM for the European Investment Bank. The eightvear bonds, bearing a coupon of 8 percent, were priced at 99% to yield

In the sterling market, a £103 million (\$146-million) floating rate note for Credit National of France a companion loan to a syndica bank credit, was not well received Interest is to be fixed at 16-point over the three-month sterling interbank rate, but the notes quoted at a discount of 1.15 points and traders suspected it was holdplained that the scheduled flow of ing there only because the less manager was supporting it.

chairman, made the announcemen

Friday in explaining the heavy vol

ume in the company's stock

that day up \$3.50, at \$16.25, on

and that Dorchester had not re-

# in the Eighties

#### AN INTERNATIONAL HERALD TRIBUNE/ OIL DAILY CONFERENCE PARK LANE HOTEL, LONDON, DECEMBER 8 AND 9, 1983

"The global impact of shifting markets" will be the theme of the fourth annual International Herald Tribune/Oil Daily conference on "Oil and Money in the Eighties." The conference will focus this year on what caused the

radical shift in the oil market in recent years and what the implications of the turnaround are for the future.

#### **DECEMBER 8**

**KEYNOTE ADDRESS** 

Donald Hodel, United States Secretary of Energy U.S. ENERGY: THE NEXT TEN YEARS John Lichtblau, Executive Director, Petroleum Industry Research Foundation, New York,

STRUCTURAL VERSUS CYCLICAL CHANGE IN THE OIL

Moderator: Herman Franssen, Chief Economist, International Energy Agency, Paris. Robert Mabro, Director, Oxford Institute for Energy Studies.

Arie de Geus, Coardinator of Planning, Shell International Petroleum Company Limited, Landon. William Finger, Coordinator of Energy Analysis, Exon Company, Houston.

ARAB BANKING'S ROLE IN OAPEC COUNTRIES" **INVESTMENT STRATEGIES** Abdulla A. Saudi, President and Chief Executive, Arab Banking Corporation, Bahrain.

CORPORATE THINKING ON THE ENERGY INVESTMENT OUTLOOK Robert Anderson, Chairman, Atlantic Richfield

Corporation, Los Angeles. François Didier, Senior Vice President, Strategic Planning, Elf Aquitaine, Paris.

NORTH SEA INVESTMENT OUTLOOK G. Malcolm Ford, Joint Managing Director, Britoil Plc, Glasgow.

#### REGISTRATION INFORMATION

The participation fee is £475 or the equivalent in an alternative currency for each participant. Fees are payable in advance, and will be returned in full for any concellation

that is postmarked on or before November 19. Please return the conference registration form to: The International Herald Tribune, Conference Office, 181 Ave. Charles-de-Gaulle, 92521 Neuilly Cedex, France. Or telephone: (33-1) 747.12.65. Telex: 612832.

#### **CONFERENCE LOCATION**

Park Lane Hotel, Piccodilly, London W1Y 8BX, England. Tel. (44-1) 499 6321. Telex: 21533. Contact: Ms. Henderson. A block of rooms has been reserved for conference participants. For further information, please contact the hotel

Donald Hodel, United States Secretary of Energy, will give the keynote address. He will head a list of distinguished speakers from Europe, the United States and the Arcio world. Senior executives in energy, finance and related fields wishing to register for this conference may return the

#### DECEMBER 9

THE ROLE OF THE WORLD BANK IN WORLD ENERGY DEVELOPMENT IN THE EIGHTIES Yves Rovani, Vice-President, Energy, The World Bank,

Washington, D.C. THE OIL FUTURES MARKET Robin Woodhead, Chairman, International

Petroleum Exchange, London, and Managing Director, Premier Man Group. Kartsen Mahlmann,

Chicago Board of Trade. THE SINO-SOVIET OIL OUTLOOK

Professor Arthur Meyerhoff, Independent Oil Produce: and Geologist. LIVING WITH OPEC

James Akins, Former U.S. Ambassador to Sauds Arabic. OPEC IN THE EIGHTIES Alirio Parra, Director, Petroleos de Venezuela (U.K.) S.A., London.

THE IMPACT OF DOWNSTREAM INVESTMENT AND PRODUCT SALES IN EUROPE BY THE PRODUCING COUNTRIES Moderator: Nicolas G. Voûte, Oil Consultant, London and The Hague.

Erwin Spuller, Managing Director, Fretail, Paris. John Matthy, Chairman, The Burman Oil Co. Pc, London. Charles de Bièvre, Director, Banque Arabe Internationale d Investissements, Paris,

#### **CONFERENCE REGISTRATION FORM**

Please enroll the following participant for the Energy conference, December 8 and 9, 1983. Check enclosed ☐ Please invoice 28-11-83 Surname First Name Company Address City/Country Telephone Telex

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American Stock Exchange, the

U.S. \$100,000,000

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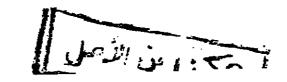
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November 21, 1983



#### C&W Shares Sale Likely to Draw Many **Over-the-Counter** Treasury Bills (Continued From Page 18) (Continued from Page 17) many of them formerly part of the empire. The company acts as a consultant in about 30 more countries and operates five cable-laying ships. C&W milked its franchise business for fat profits last year because heavy capital investment on satelines, earth stations and cables in the satelines. Earth stations and cables in the satelines and cables in the satelines. Earth stations and cables in the satelines are statelines. Earth stations and cables in the satelines are statelines. Earth stations and cables in the satelines are statelines. Earth stations and cables in the satelines are statelines. Earth stations and cables in the satelines are statelines. Earth stations are statelines are statelines. Earth stations are statelines are constant and the company is long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance service in competition with American of these companies already offer long-distance service in competition with American of these companies already offer long-distance service in competition with American of these companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance service in competition with American of these companies already offer long-distance service in competition with American the province of these companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance network along the railroad's tracks. More than 400 U.S. companies already offer long-distance network along the railroad's tracks. 177 128 189 2 4 189 2 5 189 ing its own circuits to rent out. Ernest Potter, C&W's finance di-This month, C&W announced thes, earth stations and cables in the 1970s has largely been paid off. But those profits tend to draw in nese government, this time to pro-rector, acknowledged in an intervide phone services in Shenzhen, a view that C&W is hardly getting in competition, and analysts are recompetition, and analysts are relieved to see C&W branching out. The three main focuses of the diversification are China, Britain and the United States. Though analysts see huge potenThough analysts are retracked in Sheazhen, a view that C&W is narrow getting in on the ground floor of the U.S. Though analysts are retracked in Sheazhen, a view that C&W is narrow getting in on the ground floor of the U.S. Market But he said, "to use the expression of a former Chinese staff member of mine, I hope we can do it more better." .13 10 .017 .3 .757 .31 .190 .1 .250 .1 .200 .5 .200 .11 Though analysts see huge potential in China, some are uneasy. Worry over the political future of Hong Kong has dragged down C&W's shares for much of this year. The company derives a major share of its profit from Hong Kong has profit from Hong Kong can do it more better. The company derives a major share of its profit from Hong Kong can do it more better. The company derives a major with Western business is "very much a radical step to be taken by a constitution of the can do it more better. The can do i vear. The company derives a major share of its profit from Hong Kong and last March deepened its involvement by buying 35 percent of Hong Kong Telephone Co. for £143 million. With Western business is "very much a radical step to be taken by a Communist country," a London analyst notes, adding that "a change in government could mean a change in policy." Consolidated Trading Of NYSE Listings Reuters PARIS — China is negotiating Wask Ended Nov 25 analyst notes, adding that "a change in government could mean a change in policy." In Britain, C&W owns 40 percent of Mercury Communications PLC, a new company laying optical-fiber cables along railroad tracks to provide an alternative to District Televacian law distance. A Chinese technical team has visited the French and Italian content of the European consortium said. A Chinese technical team has visited the French and Italian content of the European consortium. C&W is demonstrating, howev-Consolidated Trading tracks to provide an alternative to British Telecom's long-distance voice and data services. Union re-Regional, and talks about Chinese Of AMEX Listings Week Ended Nov. 25 voice and data services. Union resistance to the breaking of BTs monopoly has slowed the project, but most analysts believe that the government is committed to helping make Mercury a success. In the United States, C&W has a telephone-manufacturing plant and a data-communications network. This communications network of the project of the participation in the program by the participation in the program by the participation in the program by the spokesman said Friday. The Chinese are negotiating to take part in construction of any aircraft sold to China. The consortium developing the aircraft, a twin turbo-prop plane that can carry 50 masses are six runn jointly by Sales 871,300 836,900 811,300 731,400 553,390 904,400 453,000 424,000 418,400 Volume: 25.30,000 shares vear to Date: 1.914,230,009 share: Issues traded in: 916 Advances: 463 : declines: 300 Unchanged: 153 New Highs: 46 : new lows: 34 work. This year, it announced plans to join with the Missouripassengers, is run jointly 1.14 ,10e 2.60 Therm witherm witherm witherm witherm witherm witherd witherd witherd witherd witherd wither with wither wither wither wi plans to join with the Missouri-Kansas-Texas Railroad to set up a ian Aeritalia SPA companies. NEW YORK (AP)— The following quoto-tions, supplied by the National Association of Securilles Deci-ers, inc., are the oric-es of which these securities could have been sold (Net Asset Yalue) or bought (value) or bought (value) or bought (value) plus sales charge) Friday. **Mutual Funds** Inco Speci Scadder Com Si Devel Com Si Devel Com Si Devel Inti Fd Author Security Invest Inve Equiliving Surviving Survi er Fd 22.85 7.84 9.10 18.90 22.27 7.72 19.40 14.41 17.97 14.85 11.97 Circette Coppen Gold HI Yid Gold HI Yid Gold HI Yid Gold HI Yid Oppen Special Targett Target Bid Bid db lib. Dev G! 9.74 Incom 3.89 VaiAp 9.34 Lutheren Bre: Fund unquail Incom unavail Muni unavail US Gov unava Bid Ask Aphropada Arbing ABirtis Toukings Abore Above Aid Fond Coryid Griswy Hilyid us Summit Alighe F u AExoth Amer Coe rds: 13.48 14.42. 13.19 14.11 umavali † 5.40 22.29 24.36 umavali 15.71 N.L. seltal: 47.40 44.02 47.40 44.02 11.88 15.17 7.41 7.10 10.50 11.46 7.41 81.7 10.46 17.97 9.85 9.89 12.70 13.88 12.74 NL 12.44 NL 14.1 13.1 14.1 1 495 7.40 14.57 15.72 15.72 17.18 44.69 NL-7 15.72 18.09 17.21 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 17.22 18.09 18.02 11.05 18.02 11.0 CorpBd Consik Entire Entire Except Entire Except Entire Except Entire Except Ex 120 34 22 14 1.10 1.28 1.20 7: 1.26 1.26 1.26 John Mono: Bond Grwith US Gvt Tax Ex Koufman Kemper Fi Coll'x Incom Grow HI YId Intifd Mun B Opm Semm Tech Tol R: US Gvt Keystene Wright Pat Investor Bod Ap Disco Grwth Incom IntiSec Not Res 90-10 Con Ex Flex Fd 44 Well Foster F Foster F Formales Grwth Incom L Mutol L Spect Presstan L Pourse U Presstan L Pourse U Presstan 14.24 15.35 17.59 17.71 17.59 17.71 16.48 11.47 14.46 16.07 14.46 16.07 14.46 16.07 14.46 16.07 14.50 17.30 16 NL | mois: 12.99 12.44 | 13.56 14.82 | 13.56 14.82 | 13.56 14.82 | 13.56 12.44 | 13.57 | 12.44 | 13.57 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.19 | 12.49 | 13.87 | 12.49 | 13.87 | 12.49 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13.87 | 13 Baion Sond CoTxE Grath Preid Incor Tax Ex TatRe Fairid tiRin 1,74 11,8 67:04% 14% 14% mail MeLife Fun mail Equit voil Grath jui mail Grath jui mail Ret Eq 11 ToxEx 9.17 NL 10.33 NL 10.37 NL 10.49 NL 10.49 NL 10.49 NL 10.49 NL 10.40 NL 10.51 N GWTM A 14.14 N.L. Inco n 1.48 N.L. Inco n 1.48 N.L. UAMB S 11.77 N.L. BLC GF uncovall Beloc Gith 14.22 N.L. Berser Green: 100 Fd 18.43 N.L. Berser Green: ConAp GMTM N.L. Serfinc 10.58 N.L. Seoffin 10.56 N.L. Seoffin 10.58 1759 NL CONTENT | 1277 NL | 1277 NL | 1240 NL | 1527 1646 Urils | 1246 NL | 1628 18.05 | 17.9 NL | 1628 NL # 16.60 11.60 t. 11.60 t. 12.18 t2. 12.18 t2. 12.19 22. 17.47 190 45.34 NI. 457 NI. 457 NI. 15.53 459 NI. 15.53 ST LEGIVALI ST LEGIVAL ST LEGIV 11.87 6.92 6.05 2.05 7.16 6.13 10.21 16.28 14.80 10.81 10.83 36.08 10.87 10.77 Cus Séi Inti r te TxFr r Acss u LeogMas LehCap Levrae Lexingtor Cp Ldr Goldfd GNMA Grow Resh Lindnr Loomis S Capil Mut Lard Abb Affilité Incominvest NYTX Optin Tax Ex Vista Voyog Que ar Reinbw RochTX Royce SFT Eqt Safeco Se Equit Grath Inco und Stroul in Copit Grath Gr | August | 15.53 | August | Au VLI VSE s 1,29 12 69 10 99; 101 + 15; 126 67 10 1 + 15; 126 10 99; 101 + 15; 126 67 10 1 + 15; 126 67; 127 128 67; 128 **ESCORTS & GUIDES** ESCORTS & GUIDES INTERNATIONAL CLASSIFIED MENINA ESCORT SERVICE Tel: Vien na 26 71 04. INTERNATIONAL COPENHAGEN ESCORT SERVICE, Tel: 01 860032. 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que Escort and Guide S Tal: 01°361 90 00

ors

"60 SEE THE

CHAPLAIN"?!

Abbr.

52 interweaves

48 Sezfood

57 Sound

58 Seafood

60 Full of pep

61 Superb 62 City NNW of

Carson City 63 Mandolin's

cousin 64 Aviary sound

65 Butter's rival

DOWN

1 To be, to Virgil

2 Shut-Eye, in a

Field poem

cream 4 German title

5 Postpones 6 Beethoven's

''Für-----'

7 They loop the

Loop

8 Cheers 9 Pass, as time 10 Catch one's

3 Blob, as of

**ACROSS** 1 One way to draw 5 Venison source 9 Elbe feeder 13 Seafood 14 Singer Fitzgerald

15 Party's choice 16 Seafood 18 Italian dish 19 Those in a race 20 Seafood poetically 23 Hesitant sounds

28 Seaford 33 Pieces of gossin 34 Regain one's spirits, with "up" 35 Greek letter

make them 37 Salty drops 39 Pandowdy 40 Samovars

41 Menu word for "embellished" 42 Seafood 45 Seafood

breath 11 Small: Suffix 12 Bring up 15 Fire starter 17 Consumes less 21 Narrow

DENNIS THE MENACE

-ou (leaves for a short time) 25 Craze 26 Church governor 27 French pronoun

> 28 Money 29 Air-terminal signs: Abbr. 30 Fortify again 31 Race: Comb. form 32 Nero's tongue 34 Marquette's title

37 Piano worker 38 French dance 41 House part 43 A case (see 32 Down) 44 — France 45 Wes, the miler 47 Cod catcher

48 Track 49 River to Korea 51 Ruthian wallop 53 A hairdo 54 Pale blue hue 55 A.-S. domestic 56 Scat's cousin

– about that!"

6 New York Times, edited by Eugene Maleska.



" If he was a subscription, I'd CANCEL HIM."

JUMBLE THAT SCRAMBLED WORD GAME
by Henn Arriold and Bob Lee ABOOT GLAVE TOYBUN THE FARMER BECAME ANGRY WHEN SOME-ONE MANAGED 70 20 THIS. MADGEA Now arrange the circled letters to form the surprise answer as sug-

Print answer here: Jumbles: FISHY DITTO TINKLE BELFRY , Answer Kids' clothes will stay clean much longe you keep them this — OFF KIDS

# WEATHER

EUROPE <u>ASIA</u> HIGH **AFRICA** 29 68 70 50 24 75 13 55 22 72 16 61 21 76 10 50 77 81 16 61 22 72 17 63 20 66 12 54 LATIN AMERICA NORTH AMERICA MIDDLE EAST 24 75 17 22 MONDAY S FORECAST — CHANNEL: Heavy. FRANKFURT: Unstable and showers, 7cms, 12-9 (54-42). LONDON: Unstable. Terms 11-7 (53-45). MADRID: Pert1 / Claud. 7 (Erris 15-10) (37-50). NEW YORK: Rats. Terms, 84-4(46-27) PARIS: variable, 7cms. 11-8 (52-44). ROME: Unstable and showers, 7cms, 14-10 (57-50). TEL AVIV: Partiv Joudy. 7cms, 71-12 (78-51) ZURICH: Unstable and showers. 1cms, 16-8 (53-46). BANGKOK: Arist. Terms, 77-17 (81-31). HONG KONG: Foir. Terms, 18-13 (46-54). MANILA: Claudy. Terms 7-24 (82-75). EOULI: Foir. Terms, 64-12-25). SINGAPORE: Thurderstorms. Terms, 27-24 (81-75). TOKYO: Foir. BLONDIE

BEETLE BAILEY

LOOK AT THESE PRICES!

CHICKEN PICCATA, RICE \$2.99

10oz. SIRLOIN, SALAD \$4.99!

PEANUTS

YES MA'AM WE HAVE A

COMPLAINT. WE ALL 60T

SICK DURING THE Thanksgiving Holidays.



THAT MEANS WE DIDN'T

GET OUT OF SCHOOL ...

WE WERE SICK ON OUR

OWN TIME...WE DON'T

THINK THAT WAS FAIR



BUT, SARGE, YOU

FAT AT THE MESS



SARCASM DOES NOT

BECOME YOU, MA'AM!







·Œ

COURSE WE'RE

STUCK WITH

EMISSION

PROBLEM

PARTON:

HECK OF AN

WIZARD of ID

HAVEN'T YOU SEEN

DEATH, REX?

GARFIELD

JPM DAVES

I HATE MONDAYS. I CAN'T SHAKE THIS AWFUL FEELING THAT SOMETHING PREADFUL IS GOING TO HAPPEN TO ME

ANDY CAPP



I CALLED HIM A COUPLE OF TIMES

TOWN! HE NEVER

During an NBA game Friday night at Boston Garden, Kevin McHale

the Atlanta forward by swiping the ball. Boston triumphed, 109-102.

NBA Standings

.796 — .667 11:2 .443 2 .571 3 .400 5-2

9 6 £00 — 8 6 571 ½ 7 8 £67 2 5 7 £17 2:2 3 11 £14 5/2 3 11 214 5/2

,733 ,714 ,500 ,500 ,300 ,311

EASTERN CONFERENCE

WESTERN CONFERENCE

Atlento Detroit Chicogo Clovelano

Dallas Denver Utan Kanses City San Antonio

of the Celtics blocked Dan Roundfield's shot and then got a leg up on want to fall asleep all the time."

Washington 12), Detroit 111 (Ruland 38, Johnson 22: Tripucka 31, Laimbeer 21). Philladelphia 115, Houslan 131 (Malane 24, Erving

21; Williams, Kellogg 21, Waiters, Corter 11). Dallas 98, Kansas City 96 (April 28, Blackman

Saturday's Results

New York 94, Cleveland 84 (Carter Ight 21, Spor-

Konsos City 117, Uron 116 (E. Johnson 23, Knight

Mr. Davis 30, Edwards 211. Los / New Jersey ISA Son Diego 122 (Birdsong 30, Mil-Said.

Antonia 133. Son Dieso 123 (Gervin 34. Banks

ion 126 Denver 126 Dentley G. Griffith 21: lasel 5.000). Coe has been able to run

Consistently less partly occause ne Phoenia 120. Chicogo 94 (Nance 24 Lucos 22) allows common sense to dictate

From 13: From 25. Multibard 15:.

Amonto 115. Mouston 109 (Allikins 25. Rivers 21:

Someon 29. Bolley 27).

Dolles 115. Golden State 109 (Aguirre 26. Blockman 17. Short 25. Flord 24).

Someon 27. Short 25. Flord 24).

Someon 28. Blockman 25. Blockman 27. Short 25. Flord 24).

Someon 27. Short 25. Flord 24).

son 22. Mon- the past.

wingsins 23. Destey 16).

Los Angeles 10, New Jersey 123 (About-Jobber when he should slow down, 17), wither 25: Burdsons 29, King 21).

Perfleme 120. Seattle 70 (Carr 18, Pexson 16): Complicated his preparation (the Olympics appears to have

21; S. Janeson St. E. Johnson 191.

-BUT HE WAS

ALWAYS OUT OF

RETURNED MY









By Malcolm Moran

New York Times Service

falling hard enough to make um-

brellas necessary at 7:45 Friday

morning, when Sebastian Coe went

for his run, and the wind was strong enough to turn those umbrellas in-

side out. On a morning that was

perfect only for rolling over and going back to sleep. Coe left his

hotel room, crossed the street, and

took off on his first run in Central

For Coe, it was a lovely day for a

When he awoke, unlike so many

other mornings until the last three weeks plus, there was nothing

wrong. He felt line. "Not fit, but healthy." he said. "I don't feel I

The amount of time from now

still be measured in weeks or train-

ing periods; not in days or individ-

ual sessions. The Olympic clock is

ticking, but not too loudly. There

seems to be enough time for Coe to

do what he must do to defend the

gold medal he won in the 1,500-

meter run at the Moscow Games,

or to improve upon his silver medal

in the 800 or to set a standard for

consistently fast partly because he

The illness and injuries that have

complicated his preparations for

the Olympics appear to have sub-

sided. The stress fractures in his left

case of toxoplasmosis, a glandular

infection, all seem to be worries of

At 27, Coe has a simple plan for

Los Angeles. "To stay healthy," he

He appeared at Somerset. New

Jersey, on Friday to deliver two

NEW YORK - The rain was





#### **BOOKS**

MARCOVALDO or The Seasons in the City

By Italo Calvino. Translated from the Italian by William Weaver, 121 pp. \$9.95 hard cover; \$3.95 paperback.

Helen & Kurt Wolff/Harcourt Brace Jovanovich, 757 Third Avenue, New York, N.Y. 10017.

Reviewed by Anatole Broyard

WHILE Umberto Eco has been on the best-seller list for 20 weeks with "The Name of the Rose," Italo Calvino is the Italian writer who seems to cause the most excitement among American readers. With three books especially - "Cosmicomics," "Invisible Cities" and "If on a Winter's Night a Traveler" -Calvino has earned comparisons with Jorge Luis Borges and Gabriel Garcia Márquez. After decades of Italian neo-realism in the works of authors like Alberto Moravia, Elio Vittorini and Cesare Pavese, Calvino's fictions appear to be closer to the fantastic Italy of a Fellini film or a painting by Giorgio de Chirico.

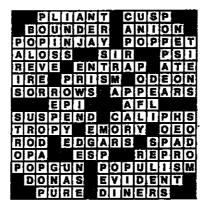
He is seen by some critics as an emancipation, as a writer who has brought back humor, lightness and freedom of invention to contemporary Italian fiction. Others find him too light, or all light and no shadow, no substance. He is clever and witty, they concede, but all surface. Italy, it seems, has grown used to taking itself very seriously and is resisting, in fiction at least, the anarchic pleasures of the international modern style. 'Marcovaldo" reads like an attempt to satis-

fy both schools of thought. The hero for whom the book is named is a Chaplinesque figure posed against the background of a drab and nameless industrial city in the north of Italy. Marcovaldo is Calvino's Candide, his image of an innocent who survives the 1950s and '60s in a modern metropolis by willfully misreading reality, as Chaplin did, by opposing his opti-

mism to its negative influences.

Since all 20 of these very short stories feature the same character, "Marcovaldo" might just as easily be read as a novel. In fact, some of the stories are so slight that without the support of the others, they seem negligible. Taken together, they have a mild charm. The catch is,

#### Solution to Friday's Puzzle



though, that when a complex man like Italo Calvino writes mildly charming stories, a num-ber of critics will feel obliged to read into or beyond them, to see them as the tip of an imagined iceberg. Each story will be taken as a conundrum, when it is closer to a cartoon. Calvino himself has said that he has borrowed some of the techniques of the comic strip.

An unskilled laborer with a wife and several children to feed, Marcovaldo is always searching his city for some sign of a relenting. In one story, he finds this relenting in the form of mushrooms springing up under the city's trees. As it turns out, the musircoms are poisonous Yet, because there are not enough of them, the poison is not fatal. Marcovaldo and his family enjoy the poisoned, metropolitan pleasure of poison is not latal. Marcovaldo and his family enjoy the poisoned, metropolitan pleasure of cating the mushrooms and surviving them. In Calvino's work, irony too springs up under neath the city's trees.

On a hot night, Marcovaldo tries to escape his tiny, stifling apartment by sleeping on a bench in one of the city's squares. The bench however, is occupied by a pair of lovers having

however, is occupied by a pair of lowers having one of those quarrels in which the passion of the participants is unequal to the difficulties of syntax, so that their argument loses itself in language. For Marcovaldo, they are like the language of the city dweller.

In another story, a herd of catala

In another story, a herd of cattle passes through the streets in the middle of the night and the whole family wakes up to see it. The story is turned away from this iscommend to the complete the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from this iscommend to the story is turned away from the story is turned away

and the whole family wakes up to see it. The story is turned away from this promising epiphany, though, when the eldest boy runs off with the berd and returns, months later, disillation with the pastoral life.

A piece about a heavy snowfall gives Calvino a chance to transfigure the city, to see it as an intellectual Santa Claus might. In another story or chapter, Marcovaldo comes out of a Technicolor movie to find the city shrouded in fog, blurred and disguised, as it were, by has uncritical and romantic imagination. As the only remaining inhabitant of the city duning August, the traditional month for vacations, Marcovaldo is interviewed by a television crew. But after another interesting beginning the story slips away into a series of familiar ironies.

This may be the trouble with Marcovaldo and with Calvino's work in general: It leans almost entirely on irony, but of a rather bland

and with Calvino's work in general: It leans almost entirely on irony, work in general: It leans almost entirely on irony, in of a rather bland or schematic kind. One feels, in reading the book, a sort of fatigue in regard to irony, like the fatigue some of us felt with novels about sex in the '60s. Like sex, irony needs flesh on its bones or it becomes just one more of Ern. Pound's "accelerated grunaces."

Calvino invents, but he does not persever: "If on a work is most popular book in America; "If on a work is the control of the control o

Winter's Night a Traveler," consists of 10 beginnings of novels, and one is reminded of the ginnings of novels, and one is reminded of the writer in the Donald Barthelme story who applition—John Rose could not do middles. For all his supposed and for two teachers freedom of imagination, Calvino is like a pleasant three blocked writer who is forever starting brillians of hards to Charles Brooks and not quite finishing them. It may be used to Art Mons a literature composed exclusively of beginnings, and Rolekins for the internature composed exclusively of beginnings, a literature composed exclusively of beginnings, a literature composed exclusively of beginnings, a literature football to be incomplete stories and novels for people too supplied by hindelphia here a supplied to the first contract the impartient, or too clever, to follow anything to a impatient, or too clever, to follow anything to a

Anatole Broyard is on the staff of The New to Identing Super Book Times

#### BRIDGE

groups of experts and asked dealer, you would get at least three answers and perhaps four. Some would pass, feeling that they had too much side strength for a three bid and were not strong enough for a one bid. Others would bid one heart or three hearts, and a few might even bid two hearts, making eccentric use of the weak two bid.

Precision System players would tend to bid one heart, for they open more freely than standard bidders. On this deal, South bid one heart and landed in four hearts. His repeated heart bids suggested five, six

Coe Getting Back on Track for Olympics

hourlong talk entitled "Evolution of 1:41.8 and 3:47.3." Coe is con-

sidered an authority on those fig-ures: He ran 800 in 1:41.8 (actually 1:41.73) at Florence on June 10.

1981, and he ran a mile in 3:47.33

at at Brussels on Aug. 28 of the

same remarkable summer. No one

Coe is hoping to become an au-

thority on lower figures and anoth-

er Olympies. He had originally

considered retirement after the Los

has run faster at those distances.

"Olympic impressions" and an have been changed. Next year, af-hourlong talk entitled "Evolution ter a second Olympics and nearly

spade. When South ruffed and pearance of the queen on his left gave him something to think about. He decided that it was a true card, thus a singleton, and laid his plans accordingly. It was vital to shorten the

trump in the closed hand, so declarer cashed the spade ace, sacrificing his king, and ruffed a spade. He crossed to the diamond ace and ruffed another spade, reducing his trumps to the same length as East.

lectures — a 45-minute session on Angeles Games, but those plans be behind him when he turns 30:

two decades of competition, had

something new. "A reasonable point to leave," Coe said.

He has his undergraduate degree in economics and social history

from Loughborough College, and

he is working on a master's degree

in philosophy. Now he speaks of

two lost years of competition, and

he challenges the idea that the most

productive days of his career would

seemed a good time to go on to

The diamond queen and the diamond king left the lead in dummy. When the last spade was led, East niffed with the

By Alan Truscott

and finally seven cards in the suit.

If you gave the South hand shown in the diagram to a groups of experts and asked

West led the A-K-10 of scored the last two tricks with the season by the K-9 over East's J-8.

If we want to a groups of experts and asked spade. When South ruffed and

♦ AK 1042 ♣975

resided by meshage in a secu-Chief the reserve ala Laylor, Chuck Man completed to ने अब के day for 248 yards and common la a losing effects 3 and 126 19 of 30 feet 120 SOUTH (D) i al ITDs.

Mestins led. 28-21 at the Sa lony Franklin midway 🥦 bind quarter

Jan 26, Patriots 3 to York Wesley Walker. House Too B And caught a touchdown

have weeks hauled in sec-Rome passes of 64 and 8 3 to a 26-3 rout of New M ha Leahy added field What is and 19 yards for down by Ear; 6 was which won for the most the chief of the de in six days.

taght in his 64-varder The Fred Steinfor: 5 33-Region of the raced pass cor-le kymond Clayborn, to the Ories 13 take hall at the New Enand sped into the end

and Louisiana before he hits the West Coast for the national charaadded two field goals in alarino treto granica priori bio de la laca de laca de la laca de l pionship meet in San Diego ou away 2:20 into the Before his serious preparation begins, there is this chance to see away 2:20 into the Todd's 8-yard strike America and discover new jazz

clubs.

Where is Baion Rouge. Commended his father and coach, Pear to a Winner

ked his father and coach.

Winner

A little bit inland, left, and to the winter

"A little bit inland, left, and to the winter." his father said. from the water," his father said,

Together, they will search for the proper training pace. The process will be delicate and the plans must be flexible. "The most important thing is I don't have any pressure now, as far as competing goes, or feeling I have to compete. I'll pask

He is making a series of appearances on behalf of a series of cross-

country championships for high school runners. His schedule will

have taken him to Illinois, Ohio

and choose where and when I want Coe said he may not race many June, and he may use relay less to develop his speed. "I have to be very aware of how Lies, probably more so than past years, he sad.
If I still feel the way I did last year.
I have to be careful Last year. didn't know why I was foring

Now he knows, and he can adjust his training schedule if prob-lems develop, "It's really amanage, ment technique," his father said.

The management of Sebastian Coc, after the Los Angeles Games, is already limited. A three-inch scar remains in his left armoit, a reminder of surgery to remove gland. "He'll never be shie to si-vertise an undersom deodorant." his father said, and smiled.

But the pre-Olympic management — how much? how last? how soon? — is no laughing matter.

Same and the The State of A Constant Carried Section  $\omega_{(\underline{\square})} = 3 \, \tilde{\omega}_{1}^{2} = -2$ لللفاذة التجومون ್ಯಾ ಒಪ್ಪಡ 🍇 Line - Line Billia

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In Covered for three fare-b rette to a 31% the Rivers bed A found vacce icf: the 8-5 Bro hand Pitter-und Contenence Ca Out of Size

66-yarder to be NOTE MADDLE the day made i MESBURG - Ameri-व्याप्त स्व व्य an Kiek won the South passou Gary C he lamis championship of 351 and had mark of 69

The tenus champions will be a sea and edging unsecded the tenus of Britain, 6-4. Setem 1 in New Oct Sed aggressive play SOC'S TOUCHSON serving despite 13 yards, both ser tak first service was passes, carried victory one Mi but he kept Kriek New Orleans with skillful volleying केमर प्रकार व्य क्रिक a fumble of H gave Municipal

ously knocked out Rem Curren of kicked field and hing No. 7 well advantage wards was small advantage of the control of the contro d the United States, 6-2 yard atterapt w Saturday's semifinal Wilson's 1-47 Ag Brazilian Cassio first quarter barres of 13 page low and 12 vie Wilson's i-part the fourth cours of Britain defeated 17-13 lead, cor and Goodlow S Sinday's final of a yard pass to the New Orlean

ional tennis tourof Piess International Morien Andrei Mand Briton Anne goal late in the E came after State alovaks Helena yards to Lineau nected on a 20 Brenner. The de

é pesta Youquu



Coe: Staying healthy is something to think about.

حكدا بن الأصل

# **SPORTS**

# Holmes Stops Frazier at 2:57 of First Round

New York Times Service

wearing the same style of green-and-gold emisroidered knee-length tranks and robe that his father wore in 1971 when he beat Minhamand Ali in a heavyweight champi-can, onship fight did not fit into his len; father's shoes here Friday night.

Larry Holmes, the undefeated World Boxing Council heavynatched son of the former champ and scored a knockout in the first

Referee Mills Lane stopped the bout at 2:57 of the round after the her 23-year-old challenger had been hart by a straight right hand that had decked him a minute earlier.

The chillenger got up and was it is sanding in his comer, taking a pounding, while Holmes signaled the again and again for Lane to stop the fight. After another right sent Frazier's mouthpiece out of the z (, mg, the referee finally stepped in. Frazier was immediately

and grabbed by his father, who lingged of him, and kept repeating. "It's all right," Holmes then went over and langed them both. The champion had worked for Joe. Frazier as a sparring pariner and warespects the family. Sent out by his father against the

schampion after only 10 professional bouts, Frazier could not get past the famous Holmes jab. Frazier Lifought mainly backing up, unable

Frazier die slip a few jabs, but he

#### into the ropes. The champion mea- drop your hands with a man who sured him with a few jabs and then can throw a jab 100 miles an hour." sent in the right that rocked him. The oddsmakers, correct in bebackward. Frazier fell, and as soon lieving that clothes do not make the

VANCOUVER, British Columnight to retain his undisputed world light heavyweight title.

Spinks had the challenger in trouble for much of the scheduled ended it just as Spinks dropped-Rivadencyra for the third time in the bout Rivadeneyra, the World Boxing Association's No. 1 contender, had never before been

knocked down before.

Spinks stalked his bloody but game opponent the whole way. He began the 10th with a hard right to the face and then landed a left-left ported from Patiaya, Thailand. right-left combination that sent the Peruivian sprawling to the floor gainst the ropes.

The challenger got his feet at the count of eight. Spinks, throwing punches wildly as he went for the knockout, finally caught Rivadeneyra with a right uppercut; Riva-

Holmes was in no mood for that, to me or who stand in front of me. He grabbed Frazier and threw him They're face fighters, and you don't

Spinks Keeps Crown on TKO

Cortez jumped in and ended things.'
It was Spinks's seventh straight bia - Michael Spinks knocked out successful defense of the champi-Pernvian Oscar Rivadeneyra at onship he claimed 27 months ago 1:42 of the 10th round here Friday but his first defense of the crown he consolidated nine months ago with a 15-round decision over Dwight

Spinks extended his record to 24-15-sounder, and referee Joe Cortez 0 with 17 knockouts. Rivadeneyra ended it just as Spinks dropped lost for the first time in 20 profes-■ Thai Wins WBC Title

> Payao Poontarat won a split decision over Venezuelan Rafael Orono Sunday to take the World Boxing Council super flyweight ti-tle, United Press International re-tired if that fight does not come off. Orono opened strongly, but after the sixth Payao stalked effectively

aggressive style. He did not land a as he was up at the count of 8 fighter, had the 34-year-old sections punch. Holmes resumed the attack. Holmes a 4-1 favorite. It was the

Whether Frazier was fighting for an official title was moot. Although iolmes has been the WBC champion for five and a half years, the organization refused to sanction the bout since Frazier was not one of its top ten challengers. He was ranked No. 11 by the WBC.

But it is traditional that the

with a 44-0 record and 31 knockouts, carned \$2.5 million for what in effect was his 17th title defense. Frazier, 10-0 in a career interrupted tis, got \$700,000.

Holmes said on Saturday he was 'semiretired" and that only a meeting with Gerrie Coetzee would make him fight again.
"There will not be any more

Gerrie Coetzee will override any-

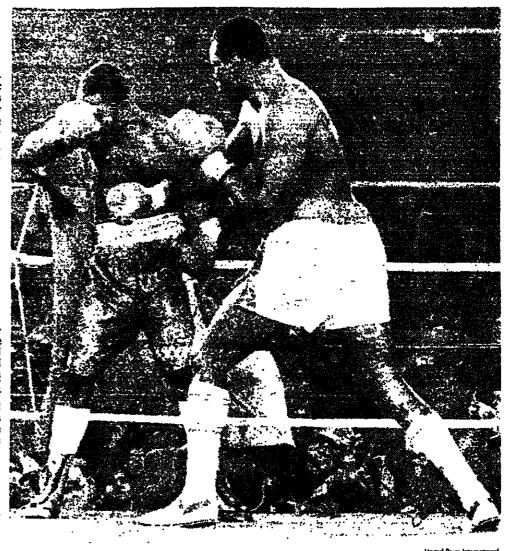
Holmes a 4-1 favorite. It was the there will be no mandatory defense "Fighters like that are made for first time that a son of a former against Greg Page (Holmes has LAS VEGAS — Marvis Frazier, made a mistake when he dropped me," said Holmes. "I don't have world champion challenged for a signed for the fight but is unhappy wearing the same style of green his hands and taunted Holmes. any problems with fighters coming world title.

Trazier due sup a tew jacos, our ne regulars made in made with the money offered him). If he fails to fight Page, the WBC may announce at its annual convention here next month that the topranked Page will meet Tim Witherspoon, the No. 2 contender, for the

> A Coetzee fight could earn Holmes \$5 million to \$10 million. Before Friday's fight, Holmes heavyweight champion — the gen- and Frazier had adjoining dressing eral public accepts Holmes as just rooms, and through the thin walls that - always risks his title when Holmes said he could hear the Frahe steps in a ring.
>
> Holmes weighed in at a soft 219 obviously does not believe in sparing the rod when punishing a disrezier clan disparaging him. Holmes pounds. Frazier was a frail-looking ing the rod when punishing a disre-200. Holmes, who entered the fight spectful child.

But he was more soothing at Saturday's news conference. "Take your time," Holmes told Frazier. "I waited until Muhammad Ali and your father and George Foreman were out of the picture before I made my move. You've got lots of time. Greg Page is over the hill already. Coetzee, he's going in his next fight; and anyway, every time he hits something his hand falls off."

"I would say from last night, I thing I want to do." would take the champ's advice,"
Holmes, undefeated in 45 fights said Joe Frazier, although the 39-Referree Zachary Clayton and among the best heavyweights ever "no regrets at all" about having judge Martin Denkin scored the If a bout with Coetzee, the South fight 116-112, Payac; judge African who holds the World Box—"What happened could happen to Charles Hasset saw it 115-113, in Association title, does not may be said. "We don't have controlled the source of the said." The said with the said of the said. "We don't have a said to respect to the said to respect to the said." The said to respect to the said to respect to the said to respect to the said. "We don't have a said to respect to the said to respect to the said." The said to respect to the said to respect to the said to respect to the said. "We don't have said to respect to the said to r Orono. Payao now is 17-1, while terialize by March, Holmes said, no excuses. We just didn't plan for that right hand."



Larry Holmes, pounding away at Marvis Frazier just before Friday night's bout was stopped.

# Riggins, Theismann Pace Redskin Victory

Compiled by Our Staff From Dispatches WASHINGTON - John Riggins rushed for two touchdowns and Joe Theismann threw scoring passes of 75 yards to Charlie Brown and 17 yards to Art Monk as the Washington Redskins registered a 28-24 National Football League victory over Philadelphia here Sun-

day. With their sixth straight triumph, the defending Super Bowl champions clinched a spot in the playoffs, moving into a tie with 11-2 Dallas for the top spot in the

#### NL ROUNDUP

National Conference Eastern Division. A seventh consecutive loss slimmated the 4-9 Eagles from olayoff contention.

ins rushed for 99 yards; he nas 1,049 for the season, bettering 1.000 for the fourth time in his career. His two-yard scoring runs in the first half set a new league standard of 21 by rushing in a sea. Losing quarterback. Joe Mon-son. He had shared the record of 19 tana was pressured throughout as

Theismann completed 16 of 26 passes on the day for 248 yards and more than two years. The lone 49cr two touchdowns. In a losing effort,

.: Ron Jaworski was 19 of 36 for 333 yards and 3 TDs.

The Redskins led, 28-21, at the half. The Eagles got a 52-yard field goal from Tony Franklin midway through the third quarter.

Jets 26, Patriots 3 victory of the year, 33-24 over Boston
In New York, Wesley Walker, Houston The Buccaneers are 2-11; Quitee the Oilers fell to 1-12, worst in the Montreel pass in nine weeks, hattled in second-half scoring passes of 64 and 8 Trailing 12-3 at the half, Hous-vards from Richard Todd to spark ton closed to 12-10 on a 81-yard

gland 20 and sped into the end ens.

Leahy added two field goals in the third period to boost New York's lead to 16-3, and the Jets put the game away 2:20 into the final period on Todd's 8-yard strike

#### Kriek Is Winner In S. African Open

JOHANNESBURG - American Johan Kriek won the South African Open tennis championship Sanday by finding his form in the final two sets and edging unseeded.
Coin Dowdeswell of Britain, 6-4, a 46, 1-6, 7-5, 6-3.

The No. 6 seed's aggressive play and strong serving — despite 13 double faults — was the key. Dowdeswell's weak first service was rarely a weapon, but he kept Kriek on the run with skillful volleying net play finesse.

xood-seeded Kevin Curren of onth Africa, Dowdeswell ad-anced by beating No. 7 seed Vitas emissis of the United States, 6-2, Un one of Saturday's semifinal niches Kriek, meanwhile, was isptaching Brazilian Cassio

#### l Darie Beats Jordan

omen's professional tennis tourament, I inted Press International ported from Sydney, Australian endy Import and Briton Amelobs best Czechoślovaks Helena nkova and Hana Mandlikova, 6-4, 3, in the doubles final.

New York scored on its first five possessions of the second half to send the Patriots to their second

straight loss and a 6-7 record. New England tied the score after Preston Brown fumbled the second-half kickoff and Keith Lee reovered for the Pats on the New York 27. With rookie quarterback Fony Eason making his first start in place of the injured Steve Gro-gan, New England moved to the 14 and Steinfort hit from 33 yards.

#### Bears 13, 49ers 3

In Chicago, Bob Thomas kicked two field goals, Jim McMahon threw a touchdown pass to Dennis. McKimnon and the Chicago defense shut down San Francisco's passing attack to lead the Bears to a 3-3 upset over the 49ers.

mas kicked a 29-yard field goal in the first quarter and added a 23-yarder in the third. McMahon broke a 3-3 tie with a 49-yard bomb to McKinnon in the second period.

with Jim Taylor, Chuck Muncie the Bears stopped the third-leading and Earl Campbell NFL offensive team from scoring a touchdown for the first time in score came on a 24-yard field goal by Ray Wersching in the first quar-

> Buccaneers 33, Offers 24 NY Ro In Tampa, Florida, Jack Thompson threw four touchdown passes to lead Tampa Bay to its second

Trailing 12-3 at the half, Housthe Jets to a 26-3 rout of New kickoff return by Steve Brown to. England. Pat Leahy added field the Tampa 8 and a 1-yard touchgoals of 18, 34, 35 and 19 yards for down by Earl Campbell five plays for 6-7 New York, which won for the into the third quarter.

Second time in six days.

But Thompson hit Kevin House

second time in six days.

Walker caught in his 64-yarder on a 41-yard TD over the middle to make it 19-10 and defensive end Rocker Recce intercepted an Oliver score, 3-3, on Fred Steinfort's 33- Booker Reece intercepted an Oliver yard field goal. He raced past cor-nerback Raymond Clayborn, to the Oiler 13, setting set up a 4 pulled in the ball at the New En- ward touchdown run by James Ow-

> Browns 41, Colts 23 In Cleveland, Brian Sipe threw for three first-half touchdowns en route to a 313-yard performance as the Browns beat Baltimore, 41-23. A fourth victory in five games and left the 8-5 Browns one game behind Pittsburgh in the American

Conference Central Division. One of Sipe's TD passes was a 66-yarder to tight end Ozzie New-some, whose eight receptions on the day made him the most prolific receiver in club history. He sur-passed Gary Collins's career total of 331 and his own single-season mark of 69.

Saints 17, Vikings 16

In New Orleans, Wayne Wilson's touchdown dives of 2 and 1. yards, both set up by Ken Stabler passes, carried the Saints to a 17-16 victory over Minnesota.

New Orleans turnovers led to all but three of the Viking points, and a fumble by Hokie Gajan fumble gave Minnesota a chance to win. But Benny Ricardo, who had kicked field goals of 31, 27 and 32 yards, was wide to the right on a 47yard attempt with 1:51 to play.

Wilson's 2-yard run late in the first quarter followed Stabler passes of 17 yards to Engene Good-low and 12 yards to Jeff Groth. Wilson's 1-yard phunge 2:16 mto the fourth quarter gave the Saints a I Durie Beats Jordan

17-13 lead, coming after Stabler

17-13 lead, coming after Stabler

and Goodlow hooked up on a 26yard pass to the Viking 9-yard line.

New Orleans also scored on Morten Andersen's 25-yard field goal late in the first half, a kick that came after Stabler passed 27 and 12



Napoleon McCallum cruises past Army defender Gary Bas- Nebraska scored two touch-

tini; McCallum rushed for 182 yards in Navy's 42-13 rout. downs in the final 51/2 minutes of

# NHL Standings Los Angeles 7 12 5 19 96 110 Winnipes 6 14 3 15 91 115 Pridary's Results Buffolo 5, Chicopo 2 (Tucker (2), Romsey (3), Housley (11), Perreodit (15), Tucker (3); Marsh (3), Gorden (8)). Washington 3, N.Y. Rangers 1 (Currie (2), Consenter (4), Gustofsson (10); Povelich

Detroit 5. Pittsburgh 2 (Baidirey (8), Yzar-Denote 2, Prissonan 2 (Soutrey (5), Yzer-man (4), Lamber (1), Dujoury (7), Kislo (7); Kehoe (11), Flockhart (7)). Edmonton 2, Minnesata 2 (Greizky (29), Lumiey (5); Bellows (12), McCarthy (11); Saturday's Results Boston 6, New Jersey 2 (O'Connell (7), Aldiction (12), Machanet (7), Paterson (10).

Albiditon (12), Markwart (7), Paderson (10), Modernos (12), Markwart (7), Pagarson (10), Ferpas (18), Bourque (11); Ludwig (8) Moc-Allien (2)), M.Y. Islanders 9, Chicago 3 (Tonelli 2 (8), Gillies (6), Bassy 3 (20), B. Suffer (13), Gilbert 15), Troffler (13); D. Wilson (6), Savend 2 (391).

Hartford 4, N.Y. Rangers 3 OT (Turgeon 10), Johnson (7), Crawford (8), Stoughton 12); Roser's (11), Larouche (16), Hedberg

ono (6); Builey (3), Taylor (10), Bul-(6), Moono (6); Bulley (3), Taylor (10), Bullard 2 (14)).

Minnesota 7, Yaranto 6 OT (MacAdam (5), Maruk 2 (7), Maxwell (6), Broten 3 (11); Dooust (6), Gharos (4), Anderson 2 (13), Harris (5), McCourt (11)).

St. Louis 8, Edmonton 6 (Suffer (8), Dore (3), Turnbull 2 (11), Mickey (4), Bolfwell (1), Mul-



With goalie Grant Fuhr making the save and Don Jackson making sure there was no followup shot, Minnesota's Dino Ciccarelli was effectively wrapped up during Friday night's first period. A goal by Wayne Gretzky midway through the final period gave Edmonton a 2-2 tie.

# **Judge Rules for NFL Player in Labor Case**

relations between players and club apolis.

owners, a federal law judge has beld that the National Footbell leased l League Seattle Seahawks unlawfully cut wide receiver Sam McCullum in September 1982 because of his union activities.

WASHINGTON — In a roling with broad implications for future

kings, the judge ordered Seattle to reimburse the player for any costs that the NLRB's general counsel be incurred in moving to Minne "has demonstrated that the release

The NRLB noted that the Seahawks may appeal the order.

The decision in effect implies that the burden of proof will be on

A STANDARD OF THE STANDARD OF

of McCullum was prompted at The 61-page decision was re-leased late Friday by the NLRB. significantly, by his activities on significantly, by his activities on behalf of the union."

ers Association representative, was club owners to support claims that Bernard Ries, a National Labor released on Sept. 7, 1982, just be a player was cut for reasons other Relations Board administrative law fore the start of the regular season, than union activity. Section 8 of the varids to Lindsay Scott and conpected on a 20-yarder to Hobie
Brenner. The drive and produced a
10-10 halftime tie. (UPI, AP)

Name atterned possess 27 and 12judge, ordered the team to reinstate which later was interrupted by a two-month players' strike. He was picked up by the Vikings four days against an employee because of union involvement. than union activity. Section 8 of the

#### the third quarter to beat Oklaho- TD passes of 33 and 60 yards. Mclma. A 62-yard run by Rozier set up vor had completed only three in a lashing rain, and most of the Turner Gill's 1-yard quarterback passes all season going into the third quarter took place during a

Nebraska, Texas Finish Seasons Unbeaten

ه كذا من الأصل

NORMAN, Oklahoma — Top-ranked Nebraska and No. 2 Texas ooth had to rally to complete undesneak to tie the score, 21-21, and fullback Mark Schellen ran 17 feated regular college seasons Satyards for the winning TD with 35 seconds left in the quarter.

Nebraska (12-0) withstood a last-gasp Oklahoma drive that stalled on the Cornhusker 2-yard line before winning, 28-21, behind the 205 yards rushing of Mike Ro-zier. Texas A&M led, 13-0, in the late in the fourth quarter, giving the Sooners a last chance at an upset. first half before third-string quarterback Rick McIvor threw four touchdown passes to give Texas (11-0) a 45-13 victory. Oklahoma drove into Cornhusker

College football's national championship probably will be decided either in the Orange Bowl or the Cotton Bowl on Jan. 2. Nebraska plays Miami (10-1) in the Orange Bowl and Texas takes on Georgia (9-1-1) in the Cotton Bowl ==

If the top two teams should lose their bowl games, the national title could go to either 9-1 Auburn, which plays Michigan in the Sugar Bowl, or 10-1 Illinois, which plays

# Quebec 3, Buttois 2 (Sielpher (9), Gaulet 2 (13): Tucker (4), Housley (12)). Washington 5, Montreal 2 (Currle (3), Car-penter 2 (6), Gauld 2 (6); Walter (6), Robinson

(111).
Philodetohia S. Voncouver 4 (Howe (4),
MacLelsh (5). Prosp (10), Poulin (7), Sittler
(7): Smyl 2 (9), Snepsis (1), Sundstram (11)).
Detroll7, Philiburn4 (Ljembert (2), Ogrodnick 2 (14), B. Smith (1), Boldine (9), Lorson

ten (7), Girmour (5); Kurri (25), Pouzer (4), Messier 2 (9), Juckson 2 (51). Coligary 4 Los Angeles 1 (Beers (14), Nilsson (9), Hindmorch (5), McDonoid (14): Chor-

#### offside penalty. Bradley threw an incompletion on third down-and cornerback Neil Harris knocked away his pass to Buster Rhymes on Oklahoma's final offensive play. Schellen also scored on Nebraska's first possession of the game, on a 7-vard run. Rozier had scored on a 3-yard run with 42 seconds left in 3:57 gone. the first half.

Oklahoma scored on a 39-yard run by Spencer Tillman in the Rhymes caught a 73-yard touchdown pass from Bradley to put the Sooners in front in the second quarter. Oklahoma broke a 14-14 tie on an 18-yard TD run by Till-

that moved the ball to the 11.

were moved back 5 yards by an

man in the third quarter. Nebraska became the first team year. The Cornhuskers' 624 points surpassed the 560 scored by Brigham Young in a 12-game 1980 schedule Rozier's 205 yards enabled him

to become only the second runner in NCAA history to rush for 2,000 yards in one season. He has 2.148 yards; Marcus Allen of Southern California set the record with 2,342 In College Station, Texas, McI-vor replaced Rob Moerschell in the second quarter and threw touch-

Bryant and 13 yards to Brent Du-hon in the final 1:36 of the half to turn the 13-0 deficit into a 14-13 advantage.
Texas, which won the Southwest Conference title outright for the first time since 1977, scored 31 points in the third quarter, during which McIvor hit Kevin Epps on

#### College Football Scores

Thursday
Alobomo Sr. 13, Tuskegee 3
Louislana St. 20, Tulane 7
Memphis St. 45, Louisville 7
Friday

Friday
Navy 42, Army 13
Boston College 24, Alabama
Long Beach St. & Utch St. 3
Saturday
Arizona 17, Arizona St. 15 Arkansas 16. Texas Tech 13 Georgia 27, Georgia Tech 24

#### Transition BASEBALL

American League
SEATTLE—Named Ben Hines hitting initructor and Vada Pinson minor-league hit-

National Football League
L.A. RAMS—Placed Gordon Janes, wide receiver, on the injured-reserve list.
NEW ENGLAND—Reactivated Steve Nelon. linebocker. Cut John Gillen, linebocker. United States Football League NEW JERSEY—Signed Kerry Justin. carnerback, lo a tour-year contract. SAN ANTONIO— Named Lary Kuharich

SAN ANTONIO— Named Lary Kunarich offensive coordinator.

MOCKEY

DETROIT—Recalled Jo Palerson, left wins, and Bind Smith, right wins, from Adirandack of the American Hockey League. Sent Jody Gase, right wins, to Adirandack. NEW JERSEY—Recalled Yven Volutur, forward, from Moine of the American Hockey League.

N.Y. ISLANDERS-Signed Roland Meionson, goaltender, to a multi-year contract, QUEBEC—Extended the contract of Mi-chel Bergeron, coach,

COLLEGE
MISSISSIPPI STATE—Named Charles

# Navy Crushes Army, 42-13; Boston College Rallies to Defeat Alabama, 20-13

game and was listed as doubtful power outage. with a sore back. In games played Friday, Navy rolled over Army while Boston Col-Nebraska's attempt to pad its lege rallied to defeat Alabama.

lead ended with a missed field goal Navy 42, Army 13 In Pasadena, California, Eric Wallace scored on a 95-yard return on the opening kickoff and Napo-leon McCallum rushed for 182 U.S. COLLEGE FOOTBALL yards as Navy buried Army, 42-13. The 84th renewal of the rivalry was territory, the big play coming on a played for the first time on the Dan Bradley-Derrick Shepard pass West Coast; the entire student bod-

ies of each academy, totaling about Earl Johnson carried 9 yards to 9.000, were airlifted to the Rose the 2 on first down, but the Sooners After Wallace's opener, Navy ran up two more TDs before the game was four minutes old. Following a fumble recovery on the Army 14, McCallum, who carried 30 times on the day, tallied on a 14-

yard run. Then Steve Brady inter-

cepted a Rob Healy pass and re-

The opening kickoff return came pass to Kevin Harris. after McCallum caught the ball at the Navy five-yard line, ran it to the opening period for a 7-7 tie and 11 and handed off to Wallace, who scooted down the left sideline all the way to the Army end zone.

Navy finished the year at 3-8, Nebraska became the first team while Army — which has not beat yards and completed an 11-yarder in history to score 600 points in one on the Midshipmen since 1977 — to Donnie Centers in the drive,

Navy's defense held Army to 85

Boston College 20, Alabama 13 In Foxboro, Massachusetts, Bob Play.

Biestek caught a 5-yard touchdown pass and ran for a 3-yard score within 83 seconds after Alabama back Johnnie Jones ran for 248 lost two fumbles late in the fourth quarter, as Boston College rallied 24 victory over Vanderbilt. Jones, for a 20-13 victory.

left in the third quarter. But the 9-2 early in the final period. down passes of 12 yards to Bill Roy Eagles began their comeback when David Thomas recovered a fumble

to the 3. Biestek barged over right tackle for the game-winner 5:06 re-

SMU 34, Houston 12 In Tokyo on Sunday, quarter-

back Lance McIlhenny's two touchdown passes led Southern Methodist to a 34-12 rout of Houston in the seventh annual Mirage Bowl. SMU built up a 24-6 halftime lead and was never threatened

by the outgunned Cougars. McIlhenny became the winnin gest quarterback in Southwest onference history, finishing his career as a starter at 34-4-1. The old record of 33 career victories was held by Bobby Layne, who played for Texas from -47.

#### Georgia 27, Georgia Tech 24

In Atlanta on Saturday, quarterback John Lastinger ran for one touchdown and passed for another as Georgia held on to beat George Tech, 27-24. Lastinger scored on a 6-yard run in the first quarter and quarter when he threw a 4-yard TD

#### Arkansas 16, Texas Tech 13

In Lubbock, Texas, quarterback Brad Taylor guided Arkansas 77 yards to a fourth-quarter touchdown that carried the Razorbacks yards on the ground and 180 yards to a 16-13 victory over Texas Tech. Taylor hit flanker Mark Mistler with clutch passes of 10 and 11 capped by Carl Miller's one-yard run. Miller scored with 4:29 to

In Knoxville, Tennessee, tailyards in leading Tennessee to a 34who rushed for 1,116 yards this Alabama linebacker Anthony season, become the Volunteers' all-Smiley had broken a 6-6 halftime time single-season leader. Jones ran tie by returning a blocked punt 58 41 yards for a second-quarter yards for a touchdown with 4:20 touchdown and 70 yards to score

Arizona 17, Arizona St. 15 by Kerry Goode at the Alabama 35 unth 8:42 left to play. Five running plays set up Doug Flutie's pass to Biestek and the tying touchdown. Brian Waldron, who had missed five of his last seven extra point had thrown a 21-vard fourth-mar-In Tempe, Arizona. Max Zendefive of his last seven extra-point had thrown a 21-yard fourth-quarattempts, connected to tie the score, 13-13 with 6:29 to go. ter touchdown pass to Mike Crawford and Luis Zendejas, Max's ford and Luis Zendejas, Max's score, 13-13 with 6:29 to go.

On Alabama's next offensive play, Ricky Moore fumbled and Steve Lubischer recovered at the Crimson Tide 34. Two running plays and a 16-yard pass from Fluite to Brian Brennan moved the ball to the 3. Biestek barged over sink.

#### Use of Pesticide at Florida Golf Clubs Raises Some Handicaps at 19th Hole

DELAND, Florida — Life at central Florida's posh country clubs has changed rapidly with the discovery that a cancer-causing pesti-

cide, EDB, had been used to preserve their greens and fairways.

The DeLand Golf and Country Club used EDB only once on its fairways, but that was enough to contaminate at least one of the club's wells. Now at the 60-year-old clubhouse, hand-lettered signs on the water fountains warn "Do Not Drink" and drinks at the bar are mixed strictly with bottled water. Because there is no clean water to wash dishes, food is served on paper plates. Drinks are served in throwaway cups, and retired business executives cut their filets with

plastic knives. "It was the first time we'd ever used it [EDB]," said Jay Underwood, the club's president. "We were told it was an effective way of controlling insects. There wasn't supposed to be any problem."

dibromide, a now-banned pesticide, to keep worms from destroying When health officials in the Tampa area began to investigate EDB use last week, they learned that dozens of local country clubs had used

it on their courses for years, although none came forward in the

The club is one of dozens of Florida courses that used ethyline

months since the chemical has been in the spotlight. "I guess maybe if I had been using something that turned out to be endangering other people," said a health department spokeswoman.
"I'm not certain I would be eager to volunteer that information."

#### LANGUAGE

# Hellos and Goodbytes

By William Safire

WASHINGTON — Ahov!
That was the word Alexander Graham Bell chose to be the salutation for his telephone calls. That nautical variant of Hey! did not catch on with landlubbers or phonelubbers: most telephonists experimenting with the new device preferred the more conversational Hello; thus, Ahoy! became AT&T's first divestiture.

Today we are searching for a salutation that befits a new form of communication. Old-fashioned "physical" mail - letters that fold into envelopes, postcards that have to be schlepped on human backs. even messages written on those pink "While you were out" pads --

Because these machines are in the word-process of revolutionizing mail, language must adapt. We Language comes first; the method of communication comes second. With that firmly understood, we can cave in gracefully to the demands of electronic mail.

"Most electronic mail systems automatically provide some sort of heading for you," explains Richard Wiggins a systems analyst at Michigan State University's computer lab. "If I were to send a message to you over the mail system program I wrote, it might begin like this: 7 Message from: Richard Wiggins (Date, Hour, Minute, Second.) Lines-22 Seen. Re: Your column on electronic etiquette. Mr. Sa-

That's brick and businesslike 1 suppose, but it makes me feel like a cipher, especially since the closing includes a "prompt" of rephy / ignore / delete / output telling me to reply to the current message, skip it and feel guilty, delete it from my mailbox, or to out my put, whatev-

"Thus, the message is surrounded by a system-supplied header at the beginning." writes Wiggins. and a system query at the end. Still, people often do choose to supply their own greetings and 'signatures. In my example message above, I chose to include Mr. Safire: as a sort of salutation. The the old newshand. Love, writes type of salutation varies from user to user. Some people begin messages with Hi there, and others may

put in the word Greetings." Not Dear, My Dear, or Dearest,

because electronic mail is - at least in its embryonic stage — less formal than a letter. It is more akin to an interoffice memo or a friendly telephone call, and you do not begin those with Dear unless you want to stimulate gossip at the water cooler.

Do computer manufacturers and software creators feel the need for social graces in messages? Evidently so; user-friendliness is the jargon for the way to take the hard, mechanical edge off communication between and among people and machines. "I tend to say Hello," writes Peter McWilliams, author of The Word Processing Book." Herbert Cooper of Queens Village, New York, goes further: "I feel electronic mail should be treated just like 'analogue mail.' "I always start my messages Dear So-and-so

and end them Love, Herb." Barry Fellman of Miami dis-"Since electronic mail is agrees: different from the stuff we've had before, I don't see why we should stick with the old rules of etiquette. Electronic mail should open with a greethyte and close with a good-Perusing this old-fashioned mail about the newfangled mail, I can conclude:

(1) Dear will not make the transition from paper to screen.

(2) Ahoy! is not a suitable substi-(3) Neglect of any personal salu-

tation makes people feel uncomfortable, and a salutation will

(4) Hi there! will not do for a rising tycoon, though it may suffice for a kid breaking into our earlywarning radar system.

(5) Hello is nice, especially if connected to a first name, but is probably too closely identified with tele-

(6) The leading salutation at the moment is the use of a first name at the start of the body of the message, following the formal name at the top of the address. Wise parents will stop naming children Bill or Mary and will choose Ebenezer or Abigail, setting them apart from all the other potential recipients.

How to conclude? Thurty, writes Herb. Off, snorts a computer tech-nician. Nothing, writes a man from IBM. My own preference: REPLY / IGNORE / DESTROY.

# Key West: The 'Conchs' Are Uneasy

By J. Russell King New York Times Service

KEY WEST, Florida — The sometimes uneasy coexistence of homosexuals and heterosexuals in this island town of 25,000 people was thrust into spotlight by the mayoral campaign that ended this month.

City Commissioner Richard A. Heyman, the 48-year-old owner of an art gallery, ran against former County Commissioner Richard A. Kerr. 47, an electrical contractor and restaurant owner.

Kerr is a "Conch," a native of this isolated island, which was settled over the last 150 years by pioneers who came to fish or to make cigars or to profit from the misfortune of sailors who were unsuccessful in navigating the treacherous coral reefs between the Atlantic Ocean and the Gulf of Mexico. He is a heterosexual

Heyman, a relative newcomer, moved here 10 years ago from Toledo, Ohio, to become a part of the artistic and literary colony that has flourished here for decades. He is a homosexual.

He is also the new mayor. Kerr's advertis-ing in the final days of the campaign sought to attribute to Heyman a desire to turn Key West into an "obscene playground." But a "live and let live attitude" is said to pervade this diverse community, and the appeal to anti-homosexual sentiment failed. Heyman got 3,775 votes, 53 percent of the total.

"I'm not gay, and I voted for Richard Heyman," said Carolyn Terrell, who sells real estate and has lived here seven years. "Most of the straight people I know voted for him. It wasn't a vote for a gay mayor, it was a vote for good government."

Heyman, who did not campaign as a homosexual rights candidate, also played down the importance of his sexual preference. He said his victory was an indication that people want good government in Key West, an end to the cronyism and favoritism" that he and his supporters say has influenced local government here in the past.

But some people who supported Kerr said they feared the effects of electing a homosexual mayor, no matter what his politics.

"A lot of people are really scared," Kerr said of the election results. "I've got nothing against gays, don't get me wrong. There are some fine gay people here who contribute to the community. But if we get a big influx of gays in here, some people are going to leave, people with small children and all."

Some who saw this election as fundamentally a locals-versus-outsiders contest labeled it the Conchs' last stand.

Many Conchs, in addition to being displeased with the changing atmosphere of their town, are finding it more difficult to

cope with the rising cost of staying here. This



"Conch." fishing for red snapper.

is partly a result of the influx of more affluent newcomers, whose arrival has led to higher property values and higher taxes in an already expensive city.

The title of Conch is one to which Kerr can lay strong claim; he was born here and his family goes back six generations. But there is dispute about just who is a Conch and who is not. Some apply the term only to descendants of the first settlers. Cockney Englishmen who came here by way of the Bahamas in the early 1800s. But the definition has been broadened and it now more or less covers anyone who was born here.

Whatever the definition, the sobriquet comes from the conch, the snail-like creature that used to thrive in the warm, shallow waters around here. The tough, chewy meat was long a staple of the Key West diet.

But, like its human namesake, the conch is not as common as it used to be in these parts. "Between right here and those rocks," said Julian Kee, pointing across the water at a pile several hundred feet away, "you could fill up two burlap bags full." Kee has been looking for conchs for more than 50 years, selling the shells to tourists at the southern tip of the island. There are no conchs along the shore now. "I have to go out to the reef, five miles off, seven miles off, 15 miles off," he says. 'And they are still hard to find."

Scientists and conservationists are studying ways to repopulate the conch here in the

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Keys, "I heard about that," Kee says, "But it won't work. They won't grow when you pen them up. No, the conch's not coming back." One thing that is coming back, as it does every year, is the tourist influx.

Right now, however, things are relatively quiet. After the Thanksgiving surge the peo-ple whose livelihoods depend on the tourist trade are awaiting "the season," from just after Christmas through May.

More than a million people visit Key West each year, according to the Key West Cham-ber of Commerce. "Some of those people, families, may think twice about coming" if Key West's image as a homosexual resort gets blown out of proportion, Kerr fears.

"Key West does have a very large gay following," says Larry Peters of the Key West Business Guild, an organization of guest-houses, bars and other concerns that cater largely to homosexual visitors and residents. "But some people have the erroneous impression that it's a predominantly gay place, like Provincetown or Fire Island in the summer. That's just not true." Peters said that of the 25,000 residents "no more than 5,000, if that many, are gay." He said he could not even guess at the number of homosexual tourists. This town that lives off tourists, whatever

their persuasion, displays an ambivalent attitude toward them. "I suppose it's the same in any tourist town," says Mrs. Terrell, the real estate agent. "We love to see them, but we love to see them leave."

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## SAN FRANCISCO POSTCARD An Academy of Dead Fish

By Charles Hillinger Los Angeles Tunes Service

SAN FRANCISCO — If you have ever wanted to borrow a dead fish, the place to look is the 130-year-old California Academy of Sciences here in Golden Gate Park. If you have the credentials, they will even mail one to you.

The academy has a gymnasiumsized ichthyology department that houses more than 1.5 million specimens of fish preserved in bottles

stored from floor to ceiling.
There are "pickled" fish here from oceans, lakes and rivers throughout the world, from all the continents, from all the seas. It is one of the most comprehensive collections in the world, and some of the specimens date from the 1800s. Nearly all of the world's approximately 300 research ichthyologists have visited the lab at one time or another, some coming from as far away as the Soviet Union, China, India and Australia.

They come to take fish in bottles off shelves, much as a scholar would withdraw books from the library for a research project. Often, ichthyologists write to the

California Academy of Sciences applying for the loan of a single fish, or several fish, sometimes for as many as 100 fish.

"Most of the loans are shortterm, for six months to two years, but some of our fish have been on loan for as long as 35 years," said William N. Eschmeyer, curator of the department of ichthyology:

"Ichthyologists are a tight-knit family. We pretty much know what everyone is studying. Sometimes when an ichthyologist requests certain fish on loan, members of the department will deliver one or more fish to that ichthyologist at a scientific meeting. We hand-carry these fish in plastic bags in our

Last year the academy sent 4,210 fish on loan through the mail to scientists around the world.

Eschmeyer is the leading authority on stonefish, which have the capability of killing a human, and he has discovered and identified several new species of venomous

He is co-author of the just-pub lished "A Field Guide to Pacific Coast Fishes of North America." Bill Follett, 82, curator emeritus of the ichthyology department and an academy ichthyologist for 52

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chaeid fish common to the California coast: pricklebacks, warbonnets, eelblennys, cockscombs and shanny.

He also is an expert on identification of fish skeletons found in archaeological digs in the South west United States.

Tomio Iwamoto, associate cure found in the deepest parts of the ocean and Tyson R. Roberts is an expert on freshwater fish.

Roberts has written extensively about the loss of many species of fish in recent years. I worry about that a great deal, he said. We am losing fish that took millions of

losing fish that took millions of years to develop. We cannot afford to lose them."

Fish specimens at the academy grant include the whale shark, at 60 feet long the biggest of fish, and adult

Amazon River herring, the smaller

at less than half an inch at less than half an inch. .

Prize fish in the collection are the two of less than 100 coelacant ever caught. The fish was believed to have been extinct for more than 70 million years until one was int brought in by a fisherman in 1932

The coelacanth, from the water of the Comoro Islands off the east 18.25 coast of Africa, resembles a hos bass with unsmally long flippers. "车班"。 is an unexpected survivor of the time when sea creatures firs with crawled on land.

rawled on land.

So rare is the fish that its brains | Republicant | heart and stomach have been sen separately through the mail by in gradient academy to scientists in far-line and the second s places for study.

British Union Criticizes The Teaching of French Reiders

LONDON — French is being on the taught in British schools far in much and other languages are 58 for in ing ignored, the National Union of the inguity of th cised what it said was a belief in the superiority of European language and on the language and on the languages of Britain's ethnic manner maintaines. It also opposed the paper maintaines at also opposed the paper maintaines at English speaking a set that rather than native-speaking forest assistants, were better teachers a business. foreign languages.

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